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Transcript of James Dondero

Date: May 10, 2021

Case: UBS Securities LLC, et al. -v- Highland Capital Management, L.P.

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Transcript of James Dondero

1 (1 to 4)

Conducted on May 10, 2021

	1		3
1	IN THE UNITED STATES BANKRUPTCY COURT	1	A P P E A R A N C E S
2	FOR THE NORTHERN DISTRICT OF TEXAS	2	
3	DALLAS DIVISION	3	ON BEHALF OF PLAINTIFFS:
4	In re : Chapter 11	4	ANDREW CLUBOK, ESQUIRE
5	HIGHLAND CAPITAL MANAGEMENT, L.P., Case No:	5	SARAH TOMKOWIAK, ESQUIRE
6	Debtor : 19-34054-SGJ11	6	KATHRYN GEORGE, ESQUIRE
7	-----:	7	LATHAM & WATKINS LLP
8	UBS SECURITIES LLC and UBS AG : Adversary No.	8	555 Eleventh Street, NW
9	LONDON BRANCH, : 21-03020-sgi	9	Suite 1000
10	Plaintiffs, :	10	Washington, District of Columbia 20004
11	vs. :	11	(202) 637-2200
12	HIGHLAND CAPITAL MANAGEMENT, L.P.:	12	
13	Defendant. :	13	
14	-----X	14	ON BEHALF OF DEFENDANT-HIGHLAND CAPITAL MGMT.
15		15	ROBERT FEINSTEIN, ESQUIRE
16	DEPOSITION OF JAMES DONDERO	16	JOHN MORRIS, ESQUIRE
17	APPEARING REMOTELY FROM DALLAS, TEXAS	17	GREGORY DEMO, ESQUIRE
18	MONDAY, MAY 10, 2021	18	JEFFREY POMERANTZ, ESQUIRE
19	11:00 A.M. EST	19	PACHULSKI STANG ZIEHL & JONES
20		20	780 Third Avenue
21		21	34th Floor
22	Job No.: 371141	22	New York, New York 10017
23	Pages 1 - 267	23	(212)561-7700
24	Reported by: Adrienne Mignano, RPR	24	
25	Appearing remotely	25	
	2		4
1	Deposition of JAMES DONDERO, held via Zoom	1	APPEARANCES (Continued)
2	videoconferencing, pursuant to Notice, before Adrienne	2	
3	M. Mignano, a Registered Professional Reporter and a	3	
4	Notary Public in and for the State of New York.	4	ON BEHALF OF WITNESS
5		5	CLAY TAYLOR, ESQUIRE
6		6	BONDS ELLIS EPPICH SCHAFER JONES, LLP
7		7	420 Throckmorton Street
8		8	Suite 1000
9		9	Fort Worth, Texas 76102
10		10	(817)405-6900
11		11	
12		12	
13		13	ALSO PRESENT:
14		14	Drew Halton - Videographer
15		15	Jordan Collins - Remote Technician
16		16	Joshua Tubbs - Remote Technician
17		17	
18		18	
19		19	
20		20	
21		21	
22		22	
23		23	
24		24	
25		25	

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4 By Mr. Clubok5 PAGE
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23
24
25

5

1 The videographer today is Drew Halton,
2 representing Planet Depos. All participants are
3 attending remotely.
4 Would counsel please voice identify
5 themselves and state whom they represent.
6 MR. CLUBOK: On behalf of UBS, it is
7 Andrew Clubok, Sarah Tomkowiak and Kathryn George,
8 all from Latham & Watkins LLP.9 MR. FEINSTEIN: On behalf of the
10 defendant, Highland Capital Management, I'm Robert
11 Feinstein from Pachulski, Stang, Ziehl & Jones.
12 With me are my colleagues, Jeffrey Pomerantz, John
13 Morris and Gregory Demo.14 MR. TAYLOR: Clay Taylor on behalf of
15 Jim Dondero, appearing pursuant to a subpoena
16 issued to a third-party.17 Just for purposes of a clean record, I
18 believe the case number that was identified was
19 the main bankruptcy case number rather than the
20 adversary number, and that probably needs to be
21 corrected.22 THE VIDEOGRAPHER: Sir, if you have
23 that available, would you mind reading that into
24 the record now?

25 MR. TAYLOR: Certainly.

1 REMOTE TECH: Thank you to everyone for
2 attending this proceeding remotely, which we
3 anticipate will run smoothly. Please remember to
4 speak slowly and do your best not to talk over one
5 another.6 Please be aware we are recording this
7 proceeding for backup purposes. Any
8 off-the-record discussions should be had away from
9 the computer. Please remember to mute your mic
10 for those conversations.11 Please have your video enabled to help
12 the reporter identify who is speaking. If you are
13 unable to connect with video and are connecting
14 via phone, please identify yourself each time
15 before speaking.16 I apologize in advance for any
17 technical-related interruptions. Thank you.18 THE VIDEOGRAPHER: Here begins Tape
19 Number 1 in the videotaped deposition of James
20 Dondero in the matter of UBS Securities LLC, et
21 al. versus Highland Capital Management LP in the
22 U.S. Bankruptcy Court, Northern District of Texas,
23 Dallas Division; Case Number 19-34054-SGJ11.24 Today's date is May 10th, 2021. The
25 time on the video monitor is 11:05 a.m. Eastern.

6

1 THE VIDEOGRAPHER: Thank you.
2 MR. TAYLOR: One second, please. Just
3 pulling it up.4 MR. CLUBOK: I believe it is Number
5 21-03020-SGJ.6 MR. TAYLOR: Thank you, Andy.
7 THE VIDEOGRAPHER: The court reporter
8 today is Adrienne Mignano, representing Planet
9 Depos.10 Would the reporter please swear in the
11 witness.

12 Whereupon,

13 JAMES DONDERO,
14 being first duly sworn or affirmed to testify to
15 the truth, the whole truth, and nothing but the
16 truth, was examined and testified as follows:17 EXAMINATION BY COUNSEL FOR THE PLAINTIFF
18 BY MR. CLUBOK:

19 Q Good morning, Mr. Dondero.

20 A **Good morning.**21 Q Mr. Dondero, you have been deposed
22 before, correct?23 A **Yes.**

24 Q Many times, right?

25 A **Yes.**

8

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	9		11
1	Q	And you understand that in a deposition	
2		we have to be careful not to talk over each other,	
3		right?	
4	A	Yes.	
5	Q	If either of us -- if I find either of	
6		us doing that, like if I start talking before	
7		you're done answering or if you start answering	
8		before I'm done talking, I may try to stop and	
9		reset so the court reporter can get a clean	
10		record. Do you understand that?	
11	A	Okay.	
12	Q	And so to that end, if you'd pause for	
13		just a second when you think I'm done to make sure	
14		I'm done, and I'll try to do the same for you,	
15		that will help us make sure we don't talk over	
16		each other as much as possible, okay?	
17	A	Yes.	
18	Q	And you know that if you say "uh-huh"	
19		or "uh-uh" and shake your head or something like	
20		that, that may not be clear on the record, and so	
21		instead of doing that, you'll try to answer with	
22		like "yes" or "no" as opposed to head signals or	
23		"uh-huhs"; is that okay?	
24	A	Yes.	
25	Q	And if I catch you doing it, I'll just	
	10		12
1		say, is that a yes? I'm not trying to be rude. I	
2		just want to make sure you're clear if you're	
3		saying "uh-huh" or "uh-uh" or something. If it is	
4		actually a "no," just tell me, no, that meant that	
5		was a no. But I may follow up with you if I catch	
6		you giving a nonverbal answer, okay?	
7	A	Yes.	
8	Q	And you understand you're under oath	
9		and you have to tell the truth as completely and	
10		accurately as possible?	
11	A	Yes.	
12	Q	And you understand if I ask you a	
13		question that is capable of being answered with a	
14		simple yes or no, you will do that, correct?	
15	A	Yes.	
16	Q	And by the way, if I happen to ask --	
17		sometimes I find -- I have seen in these	
18		transcripts where I may ask a double negative. If	
19		I said, for example, it's not raining outside, and	
20		you are like, no, that could be confusing. And if	
21		I catch us doing that, if I see us doing that, I	
22		might follow up and say, it is true that it is not	
23		raining outside, right? I'm just doing that,	
24		again, to make sure the record is clear as opposed	
25		to unclear. Is that okay with you?	

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	13		15
1 A I wouldn't use the word "control."		1 Q Was it more than \$1 million?	
2 Q Okay. And I think I said the wrong		2 A Probably, but I don't --	
3 name. I think it is technically called Sentinel		3 Q Was it more than \$10 million?	
4 Reinsurance. Is that the name of the entity?		4 A I don't know.	
5 A I don't know the official name. It's		5 Q Was it more than \$100 million?	
6 Sentinel something.		6 MR. TAYLOR: Andy, I'm going to ask	
7 Q Okay. And what does Sentinel		7 that you move on. It's been asked and answered	
8 Reinsurance do?		8 four times now.	
9 A It's an offshore Cayman-based		9 A I really don't know, Andy.	
10 reinsurance company.		10 Q Was it more than \$1 billion?	
11 Q What does that mean?		11 A It was less than \$1 billion, I'm sure,	
12 A As far as I understand, it does some		12 but I don't know how much it was.	
13 insurance, it does some reinsurance and it -- I		13 Q Okay. Was it less than \$500 million?	
14 believe it is conforming and it is in compliance		14 MR. TAYLOR: Objection.	
15 with regulations regarding qualification as a		15 A Yes.	
16 Cayman reinsurer and it invests its capital and		16 Q Okay. Was it less than \$100 million?	
17 its premiums.		17 A I don't know.	
18 Q You own part of Sentinel Reinsurance,		18 Q Okay. Was it less than \$250 million?	
19 correct?		19 MR. TAYLOR: Objection.	
20 A I believe I'm a beneficial holder of a		20 A Was it less than -- yes.	
21 majority of it.		21 Q Okay. Was it less than 200 million?	
22 Q Okay. You're the beneficial holder of		22 A Yes.	
23 the majority of Sentinel Reinsurance, correct?		23 Q Was it less than 150 million?	
24 A Yes.		24 A Yes.	
25 Q And you have been since its founding,		25 Q Okay. Was it less than 125 million?	
	14		16
1 correct?		1 A Yes.	
2 A I believe so.		2 Q Was it more than 50 million?	
3 Q And, in fact, you are the beneficial		3 A I don't know.	
4 holder of approximately 70 percent of the economic		4 Q Was it more than 1 million?	
5 interest in Sentinel Reinsurance, correct?		5 A I don't know, Andy.	
6 A I believe that's approximately correct.		6 Q Okay. So fair to say -- I thought you	
7 Q And the other beneficial holder of		7 said it was probably more than a million, you	
8 Sentinel Reinsurance is Scott Ellington, right?		8 thought.	
9 A I believe so.		9 MR. TAYLOR: Objection. Asked and	
10 Q And you and Scott Ellington are the		10 answered.	
11 only two beneficial holders of the economic		11 A Yes.	
12 interest in Sentinel Reinsurance, correct?		12 Q Okay. So is there -- so do you have	
13 A I -- I don't know. I believe so, but I		13 any ability to narrow the amount of capital you	
14 don't know.		14 invested in Sentinel Reinsurance in a range that	
15 Q And that's been the case since the		15 is smaller than from 1 to \$125 million?	
16 founding of Sentinel Reinsurance, to the best of		16 A From 1 to 100 would be the range. And	
17 your knowledge, correct?		17 I don't have a basis for knowing more specifically	
18 A To the best of my knowledge.		18 than that.	
19 Q Did you invest any money in Sentinel		19 Q And you have no idea within that range	
20 Reinsurance, invest any capital?		20 whether it was closer to 1 million or closer to	
21 A I believe so.		21 100. It's just somewhere in that range and you	
22 Q Roughly how much?		22 have no further information. Is that your	
23 A I don't know.		23 testimony?	
24 Q Roughly.		24 A Yes.	
25 A I don't know. I don't remember.		25 Q When did you put the capital into	

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	17		19
1	Sentinel Reinsurance?	1	A I don't know what the address is here.
2	A I don't know. A half of a dozen years	2	THE WITNESS: Do you know what the
3	ago, I guess. I don't know.	3	address is here?
4	Q Just at its founding?	4	Hold on one second. We'll get it for
5	A No. I think there's been other	5	you.
6	contributions along the way also.	6	MR. TAYLOR: Well, just for purposes of
7	Q Do you have records of how much you've	7	a clean record, I'm showing Mr. Dondero something
8	invested into Sentinel Reinsurance?	8	off of my calendar where I have the address
9	A No, I do not.	9	written down so that he can refer to it, and it's
10	Q You have no tax records, no records	10	just a calendar appointment from my phone.
11	with your investment, there is no record at all in	11	A It's 2515 McKinney Avenue.
12	your control that would tell you how much you	12	Q And do you have a permanent office in
13	invested in Sentinel Reinsurance in a closer	13	that location?
14	approximation than 1 to \$100 million?	14	A Yes.
15	A I don't know. All I know is if I was a	15	Q What other entities work in the same
16	tax reporter or if it was offshore income, or if	16	location that are in any way connected to you?
17	it was -- if it was -- however it was supposed to	17	A NexBank, NextPoint and -- I don't know
18	be properly accounted for, I'm confident that it	18	how we're doing the shared services with
19	was. There was no attempt to not comply with	19	SkyBridge. I don't know if SkyBridge is
20	whatever regulation or taxing was relevant.	20	associated with me. So I -- but they're in the
21	Q Okay. But do you keep records of your	21	offices here, too, at the moment. We're getting
22	investments somewhere?	22	office space -- we were expecting to stay at
23	A I do not.	23	Highland so it's been a bunch -- it's been a -- we
24	Q Does anyone keep records of your	24	located over here -- relocated over here quickly,
25	investments on your benefit --	25	but ultimately we'll spread out from here at some
	18		20
1	MR. CLUBOK: Strike that.	1	point.
2	Q Does anyone on your behalf keep records	2	Q And you said -- you named a woman who
3	of your investments, to your knowledge, like an	3	had your personal balance sheets, Melissa -- and
4	accountant, a tax preparer, a lawyer, a financial	4	could you spell her last name.
5	advisor, anyone like that?	5	A S-H-R-O-T-H.
6	A The tax department handles all my taxes	6	Q Does she work there in the building
7	domestically, internationally and all the relevant	7	that you're in right now?
8	compliance. My personal balance sheets or assets	8	A Yes.
9	handled by Melissa Schroth in my office.	9	Q And did she previously work for
10	Q Okay. You said the tax department	10	Highland Capital Management?
11	handles all your taxes domestically,	11	A Yes.
12	internationally and all the relevant compliance.	12	Q Does Scott Ellington work there?
13	The tax department of what entity?	13	A I haven't seen him, but I believe so.
14	A They were formerly of Highland. Now	14	Q When was the last time you spoke with
15	they're of -- one of the entities over here. I	15	Scott Ellington?
16	don't know if it's NextPoint or SkyBridge or	16	A Last year.
17	whatever.	17	Q Does Isaac Leventon work there with you
18	Q When you say "here," where are you	18	in that office?
19	physically today?	19	A I believe so, but I haven't seen or
20	A In the bank next to the -- in the	20	talked with him either.
21	NexBank office space across the street from the	21	Q When was the last time you spoke with
22	old Highland offices.	22	Isaac Leventon?
23	Q Do you have an office there?	23	A Last year.
24	A Yes.	24	Q You mean 2020?
25	Q What is your business address?	25	A Yes.

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	21	23
1 Q Have you in any way communicated 2 directly or indirectly with Scott Ellington about 3 anything in 2021?		1 SkyBridge and NexBank and NextPoint. 2 Q Have you spoken with Katie Irving at 3 all in 2021?
4 MR. FEINSTEIN: Can I just interject 5 here for one second, please? This is Rob 6 Feinstein.		4 A I have not. I believe she is on 5 maternity leave, still.
7 So I did want to put a comment on the 8 record regarding Highland Capital Management's 9 attorney-client privilege as it pertains to this 10 deposition. So I want to be very clear that we 11 are not waiving the privilege in regard to 12 anything with one exception, and that is the 13 matters and transactions that are discussed in the 14 Highland Capital Management motion for approval of 15 UBS settlement, and I think, in particular, 16 paragraphs 5 to 11, which set forth the facts and 17 circumstances regarding the Sentinel Reinsurance 18 insurance policy and related transactions, and as 19 to those matters, we are not asserting the 20 privilege.	16	6 Q Have you -- when you spoke with 7 Mr. Sevilla, did you talk in any way about 8 Sentinel Reinsurance?
21 BY MR. CLUBOK: 22 Q Have you in any way communicated 23 directly or indirectly with Scott Ellington about 24 anything in 2021?	17	9 A No. 10 Q When was the last time you spoke to 11 anybody about Sentinel Reinsurance other than your 12 lawyers?
25 A No.	18	13 A I haven't. I know -- I haven't and I 14 have purposely not tried to refamiliarize myself 15 with anything there.
	19	16 Q When was the last time you were 20 familiar with anything --
	20	18 MR. CLUBOK: Strike that.
	21	19 Q When was the last time you spoke with 22 anybody about Sentinel Reinsurance prior to 2021?
	22	21 MR. TAYLOR: Objection. Form.
	23	22 Q Okay. Let me just ask, other than your 24 lawyers, who was the last person you spoke to 24 about Sentinel Reinsurance on any matter?
	24	25 A I can't remember specifically. It
1 Q Have you communicated directly or 2 indirectly with Isaac Leventon about anything in 3 2021?	22	1 would have been -- it would have been Scott 2 Ellington. And I -- it would have been sometime 3 last year. And it really would have been in the 4 context of we were trying to get a Cayman bank 5 going, and there was going to be -- there was 6 going to be some involvement, I think, from 7 Sentinel and Matt, but we didn't get the bank off 8 the ground last year.
4 A No.	23	9 Q Is this post bankruptcy?
5 Q Have you communicated with J.P. Sevilla 6 in 2021 about anything?	24	10 A I don't know. It was either post 11 bankruptcy or shortly before.
7 A Yes. J.P Sevilla is actively engaged 8 in a lot of Highland- and NextPoint-related 9 activities. Or not Highland, I'm sorry. A lot of 10 NextPoint-related activities and SkyBridge-related 11 activities.	25	12 Q Did you ever speak with Jim Seery about 13 Sentinel Reinsurance?
12 Q Does Mr. Sevilla have an office in the 13 same building you're in now?	14	14 A No, I did not.
14 A Yes. Not in the same floor, but in the 15 same building.	15	15 Q Did you ever speak with John Dubel 16 about Sentinel Reinsurance?
16 Q And when was the last time you spoke 17 with Mr. Sevilla?	16	17 A No, I did not.
18 A Last week.	17	18 Q Did you ever speak with Judge Nelms 19 about Sentinel Reinsurance?
19 Q How about Matt DiOrio? Do you speak 20 with him at all?	18	20 A No, I did not.
21 A Infrequently. I think I have spoken to 22 him once this year.	19	21 Q Did you tell any of the lawyers at the 22 Pachulski law firm anything about Sentinel 23 Reinsurance?
23 Q When was that?	20	24 A No, I did not.
24 A When we first moved here early March to 25 set up the shared services agreement between	21	25 Q Have you ever told anyone at UBS

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	25		27
1	anything about Sentinel Reinsurance?	1	A No. I don't think I ever have.
2	A I do not think so.	2	Q How did you know what was in their
3	Q You have spoken with Isaac Leventon	3	portfolio?
4	about Sentinel Reinsurance in the past, correct?	4	A Ellington would tell me when they had
5	A No, I do not believe I have. I	5	cash available. It was really when they had cash
6	don't -- I didn't think Isaac was materially	6	available to spend he would be looking for
7	involved with Sentinel before.	7	suggestions.
8	Q You have spoken to J.P. Sevilla about	8	Q And other than Ellington coming to you
9	Sentinel Reinsurance, right?	9	for suggestions about how to spend cash that
10	A No. I -- sentinel Reinsurance is not	10	10 Sentinel Reinsurance had available, you can't
11	something I was intimately involved with on an	11	11 recall any other specific business issue that
12	operating or day-to-day basis. Ellington is the	12	12 Scott Ellington ever came to you with -- about
13	only person I remember talking to Sentinel about,	13	13 with respect to Sentinel Reinsurance?
14	really, ever.	14	A Correct.
15	Q The only person you have ever spoken to	15	Q Did you know who were the insurers that
16	about Sentinel Reinsurance, as you can recall	16	Sentinel Reinsurance did business with?
17	17 sitting here today, other than your lawyers in	17	A No. I mean, I know generally they did
18	18 this matter, is Scott Ellington; is that correct?	18	some D&O insurance, I think they did some title
19	A Yes.	19	reinsurance, and they did some other policies.
20	Q Have you ever spoken with Matt DiOrio	20	But I don't know who specifically was on the other
21	about Sentinel Reinsurance?	21	side of those policies.
22	A No, I have not.	22	Q Do you have any idea about anyone who
23	Q Have you ever spoken with any of the	23	23 was on the other side of any policy that's ever
24	24 directors of Sentinel Reinsurance?	24	24 been issued by Sentinel Reinsurance?
25	A No, I have not.	25	A I have a -- I mean, I have an awareness
	26		28
1	Q Have you ever made decisions on behalf	1	1 of the policy that we're talking about here today,
2	of Sentinel Reinsurance?	2	2 but it's really just a general awareness.
3	A I think from time to time I gave some	3	Q What is your general awareness about
4	investment advice, but that's -- that would be the	4	the policy that you're here to talk about today?
5	extent of it.	5	A That it's a -- my recollection is that
6	Q Did you ever make decisions on behalf	6	6 it's a \$100 million, plus/minus, but I think it's
7	7 of Sentinel Reinsurance?	7	7 a \$100 million face policy. And it was done half
8	A Not that I can recall other than, like	8	8 a dozen years ago, approximately.
9	I said, periodically giving investment advice.	9	Q Who is the insured?
10	Q But you -- when you say you gave	10	A I don't know -- I don't know. I
11	investment advice, who did you give that advice	11	11 believe it was -- I don't know what part or which
12	12 to?	12	12 entities, but I believe it was -- specifically,
13	A Ellington.	13	13 but HFP was a holding company structure with four
14	Q And that was just advice, it wasn't a	14	14 or five different subsidiaries. I believe it was
15	directive?	15	15 some part of that organization.
16	A Correct.	16	Q You believe that HFP was the insured
17	Q And other than -- and what was that	17	under the policy that we're here to talk about
18	specific advice you gave, if you can recall?	18	today?
19	A I don't remember. Just that it was,	19	MR. TAYLOR: Objection. Misstates
20	you know, periodically, infrequently, no more than	20	20 prior testimony.
21	21 once -- I would say once a year on average, just	21	A Like I said, I didn't try and refresh
22	22 advice if they had cash or were repositioning the	22	23 myself on this. I thought it was either a
23	24 portfolio.	23	24 subsidiary or holding company or part of or all
24	Q Did you receive any documents about the	24	25 of -- I don't know -- of that entity, as far as I
25	financial position of Sentinel Reinsurance?	25	25 know.

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	29		31
1 Q	Do you know anything else about the	1 Q	Who paid for the policy?
2 insureds under the policy other than that?		2 A	I believe the beneficiary paid for the
3 A	No, I do not.	3	policy.
4 Q	Do you know what the point of the	4	Q Which beneficiary?
5 policy is?		5	A I don't know. I don't know, whichever
6 MR. TAYLOR: Objection. Vague.		6	was the beneficiary of the policy I believe paid
7 Q	Do you know what the policy is designed	7	for it.
8 to insure against?		8	Q And your testimony is that the
9 A	I've never seen the policy. I don't	9	beneficiary is some part of the HFP complex, as
10 know the specific payout triggers and -- no, I do		10	you call it?
11 not.		11	A Yes.
12 Q	You have no idea whatsoever, sitting	12	Q And did the -- okay. And did you have
13 here today, what this policy that we're here to		13	any --
14 talk about today was designed to insure against.		14	MR. CLUBOK: Strike that.
15 Is that your testimony?		15	Q When did you first hear about this
16 A	That's correct. I have never seen it.	16	16 policy?
17 I don't know the specifics of it.		17	A I mean, at or about when it was put
18 Q	Do you generally know what the policy	18	18 together. I mean, you know -- yeah, at or about
19 that we're here to talk about today was designed		19	19 shortly before when it was put together.
20 to ensure against?		20	Q Well, was it -- so shortly before it
21 A	Again, just really the most general	21	21 was put together you were told about it?
22 sense. It was to provide, I believe, cash for		22	A Yes.
23 legal expenses and to defend against any claims, I		23	Q By whom?
24 believe, that -- whatever relevant entity was the		24	A I'm sorry, was there a question there?
25 beneficiary in the HFP complex, to provide them		25	Q I'm sorry, I said, "By whom?" You said
	30		32
1 with legal fees and serv- -- cash for legal fees		1	shortly before the policy --
2 and services to defend itself or operate or -- I		2	A Scott Ellington crafted it, and then
3 believe that structure was winding down. And it		3	Sky -- Ellington handled getting it through
4 wasn't really operating as a structure. So I		4	compliance and the insurance company in the
5 think it was meant as a transition policy of some		5	Caymans.
6 sort, but that's all I know.		6	Q Okay. So you first heard about this
7 Q	Do you know -- so I had asked you if	7	policy from Scott Ellington, correct?
8 you generally knew what the policy that we're here		8	A Yes.
9 to talk about today was designed to insure		9	Q And everything you ever learned about
10 against. You just gave your answer.		10	10 the policy came from Scott Ellington; is that
11 Is that the entirety of what you know		11	11 correct?
12 about what the policy was designed to insure		12	A Yes.
13 against, as you sit here today?		13	Q And you -- and Scott Ellington told you
14 MR. TAYLOR: Objection. Asked and		14	14 that he had crafted the policy?
15 answered.		15	A Again, there was a business purpose in
16 A	I mean, yes. I wasn't directly	16	16 terms of the entities winding down and ceasing to
17 involved with putting the policy together in terms		17	17 exist. I think they had been completely written
18 of its terms and specifics.		18	18 off for tax purposes and the boards weren't in
19 Q	So I'm going to ask you one more time	19	19 existence anymore, and there was no management in
20 very broadly. Is there anything else at all you		20	20 existence anymore and there was a business purpose
21 know about this policy that you haven't described?		21	21 to winding it down and crafting it as an insurance
22 MR. TAYLOR: Objection. Vague.		22	22 policy.
23 A	I mean, you can ask me some other	23	Q My question was much simpler. My
24 specific questions, but I know very little, but		24	24 question was, is it true that Scott Ellington told
25 there may be something else I know.		25	25 you that he had crafted the policy?

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	33		35
1 A Yes. I mean, whether it was him 2 directly or him working with reinsurance brokers 3 or him working with third parties, I don't know. 4 But he was the one that brought it to me or -- and 5 proposed the policy.		1 then any -- you know, similarly, any business 2 issues or legacy issues, whether it's around -- 3 you know, UBS or Citibank or Barclays or any other 4 institutions that had conflict with HFP, you know, 5 there's, you know, a chance that that stuff could 6 be active again.	
6 Q And what did Scott tell you about why 7 he was proposing the policy?		7 Q At the time the insurance policy was 8 taken out, you knew that HFP was in litigation 9 with UBS, correct?	
8 MR. TAYLOR: Objection. Form. Calls 9 for hearsay.		10 A I don't know if that's true. I don't 11 know -- I don't remember. I don't remember -- I 12 don't remember if the UBS litigation was active or 13 real when the policy was taken out. It could have 14 been -- it might have been -- the UBS litigation 15 has been out there for a long time, but I don't 16 know specifically.	
10 A I have answered this already, but, 11 again, that there was a business purpose that I'd 12 said already in terms of it was an illiquid pool 13 of assets that was cash deficient, cash deprived 14 that needed on a longer term basis liquidity and 15 an ability to fund legal fees and orchestrate 16 legal activities. Whether it was defensive or 17 offensive, I don't know. But it needed 18 functionality and it needed liquidity.		17 Q You know the policy was specifically -- 18 MR. CLUBOK: Strike that.	
19 Q Did Scott tell you any other purpose 20 for why he was proposing the policy other than 21 what you've just described?		19 Q You know that part of the reason for 20 the policy was specifically to address the UBS 21 litigation; isn't that true?	
22 MR. TAYLOR: Objection. Form.		22 A I would rather stay with the testimony 23 that I just gave. I understood it to be broadly 24 based to handle any residual activities on the 25 litigation or regulatory or tax side.	
23 A That's the purpose as I understood it 24 and remember it.			
25 Q What do you mean by "orchestrate legal	34		36
1 activities"? What does that mean, as you used 2 that phrase?		1 Q Did you know at the time the policy was 2 taken out whether or not, in some part, it was 3 directed specifically to address the UBS 4 litigation?	
3 A Well, again, there was no staff and no 4 board left and no functioning apparatus at HFP. 5 So it had no ability to operate or, you know, 6 defend itself or coordinate legal activities or 7 operating activities or if there was any residual 8 tax issue or anything. So the policy, like I 9 said, I believe remedied all that and provided 10 transition going forward.		5 A I don't know. 6 Q You don't know if you knew or you 7 didn't know at the time?	
11 Q Transition to what?		8 A I don't know. I don't recall it 9 being -- I don't recall it being specifically to 10 UBS so I -- I don't recall that so I don't want to 11 say that.	
12 A Transition to going out of business or 13 ceasing to exist yet handling any residual 14 activities.		12 Q Was there ever any analysis done to 13 indicate how the policy could fit into the 14 strategy for dealing with UBS in its litigation?	
15 Q What were the residual activities of 16 HFP at that point?		15 A Not that I saw. 16 Q Did Mr. Ellington ever tell you in any 17 words or substance how the policy could be used in 18 connection with dealing with the UBS litigation?	
17 A Again, I understood them just broadly 18 to be regulatory and legal and, you know, some 19 residual operating activities. You know, when -- 20 I mean, let's just take the tax thing, for 21 example. When you declare something ultimately 22 worthless and non-operating so that the investors 23 can take a write-off, the tax authorities can 24 question that or challenge that or litigate that, 25 and then you need to be able to defend it. And		19 MR. TAYLOR: Objection. Calls for 20 hearsay.	
		21 A Again, my general understanding was to 22 provide liquidity and capability to wind down 23 legal issues that -- I believe, and the way it was 24 characterized in my memory is that none of the 25 legal issues were viewed as material. They were	

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1 viewed as normal course resolutions of an entity
 2 that was going out of business. So it wasn't --
 3 it wasn't in anticipation or because of one
 4 particular thing. It was to handle liquidity and
 5 functionality issues that the dead entity had.

6 Q That wasn't my question. My question
 7 is, did Mr. Ellington ever tell you in words or
 8 substance how the policy could be used
 9 specifically in connection with dealing with the
 10 UBS litigation?

11 MR. TAYLOR: Same objection. Calls for
 12 hearsay.

13 A The answer is no. Or no, not -- I
 14 don't remember -- I have no recollection of it
 15 being -- of him having any specific comments or
 16 thoughts regarding the handling of the UBS
 17 litigation via the policy.

18 Q Did Mr. Ellington, at or around the
 19 time the policy was being taken out, talk to you
 20 about a strategy for settling the UBS litigation?

21 MR. TAYLOR: Hold on. Before you
 22 answer that, is Mr. Ellington an attorney at all?

23 THE WITNESS: He is.

24 MR. TAYLOR: So I'm going to have to
 25 ask that he not disclose -- first of all, it calls

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1 agreement? For instance, would he help you in
 2 your role as one of the advisors or for Sentinel
 3 Reinsurance and give those entities counsel also?
 4 THE WITNESS: I mean, yeah. I mean,
 5 besides working for various entities, he did give
 6 me legal advice often, too.

7 MR. TAYLOR: So, Andy, based upon that,
 8 we've got to assert the privilege. I don't know
 9 exactly all of the roles Mr. Ellington may have
 10 been filling, but if he was filling other types of
 11 roles under a shared services agreement or other,
 12 that advice could have been to other clients, some
 13 of which are not Highland Capital entity ones, and
 14 he can't answer those questions.

15 MR. CLUBOK: Okay. Hold on a second
 16 here.

17 Q Mr. Dondero, did Mr. Ellington ever
 18 give legal advice to Sentinel Reinsurance, as far
 19 as you know?

20 A I'm sure he did, actually. I mean, I
 21 think that was part of his role and function in
 22 Sentinel.

23 Q You think as part of his role and
 24 function in Sentinel, he was an attorney in
 25 addition to a part owner, giving legal advice to

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1 for hearsay, and, second of all, it invades the
 2 attorney-client privilege and I'm instructing him
 3 not to answer.

4 MR. CLUBOK: Hold on a second. I
 5 believe --

6 Q Mr. Dondero, Mr. Ellington at the time
 7 was the general counsel of Highland Capital
 8 Management, correct?

9 A Yes.

10 MR. CLUBOK: And the privilege, I
 11 believe, belongs to Highland Capital Management,
 12 who is here being represented by Mr. Feinstein.

13 Mr. Feinstein --

14 MR. FEINSTEIN: Right. And we are not
 15 asserting it as to conversations that in-house
 16 counsel had with anyone on this topic.

17 MR. TAYLOR: And just so I'm clear, did
 18 Mr. Ellington have any other roles as counsel for
 19 you in any other capacity in non-Highland Capital,
 20 other than as a debtor? Did he advise you in any
 21 of your other roles for --

22 THE WITNESS: I mean, yeah, he has
 23 helped out on a lot of different things. Yes.

24 MR. TAYLOR: So the record is clear,
 25 was Mr. Ellington under the shared services

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1 Sentinel Reinsurance, a Cayman-based company; is
 2 that correct?

3 A Yes.

4 Q And did you ever receive any legal
 5 advice from Scott Ellington that was specifically
 6 directed at Sentinel Reinsurance, as far as you
 7 know?

8 A I did not receive it, no. I mean,
 9 yeah, no, I don't have specific awareness.

10 Q Okay. So this particular
 11 conversation -- when Mr. Ellington came to you and
 12 said, we're going to -- came to you to talk to you
 13 about the policy, he was not speaking to you as a
 14 representative of Sentinel Reinsurance, correct?

15 A I don't know. I can't say because --

16 Q Well, let me ask it slightly
 17 differently. When you considered -- you approved
 18 the policy, correct?

19 A Yeah, I approved of him moving forward
 20 with the policy, yes.

21 Q And did you approve on behalf of
 22 Sentinel Reinsurance with Mr. Ellington moving
 23 forward with the policy?

24 A No. He just -- he ran it by me as a
 25 solution and a business idea.

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1	Q Okay. And he ran that by you -- okay.	1	Mr. Ellington was acting on behalf of and that you
2	So as a solution as a business idea --	2	have the right to instruct Mr. Dondero not to
3	so as a solution as a business idea, did	3	answer. That's what I want to get to. I'm
4	Mr. Ellington tell you in words or substance that	4	looking at this realtime. I don't see any
5	the policy would assist in a strategy for settling	5	specific entities mentioned. You are just saying
6	the UBS litigation?	6	you assume that or you generally think that may be
7	MR. TAYLOR: Objection. Calls for	7	and et cetera.
8	hearsay. And just because something is a business	8	MR. TAYLOR: It could be Sentinel
9	solution doesn't mean it doesn't have legal	9	Reinsurance, Andy.
10	aspects, Andy. So, again, we have the	10	MR. CLUBOK: Sentinel Reinsurance -- he
11	attorney-client privilege.	11	just said that he was not accepting -- he was not
12	MR. CLUBOK: And, specifically,	12	acting on behalf of Sentinel Reinsurance when
13	Mr. Taylor, what's the attorney-client privilege	13	Mr. Ellington gave him this suggestion.
14	that you are claiming? In what capacity was	14	Do you represent Sentinel Reinsurance?
15	Mr. Ellington acting as an attorney and in what	15	MR. TAYLOR: I do not, but I can't let
16	capacity is Mr. Dondero receiving statements from	16	my client waive their privilege.
17	him that is causing you to assert the privilege on	17	MR. CLUBOK: Okay.
18	this particular line of questioning?	18	Q Did you -- Mr. Dondero, did you -- by
19	MR. TAYLOR: So it's my understanding,	19	the way, Mr. Dondero, what are you looking at
20	20 and Mr. Dondero can correct me if I'm wrong, that	20	right now?
21	21 Mr. Ellington under the shared services agreement	21	A My thumbnails.
22	22 not only provided legal services directly to	22	Q No, you weren't looking at your
23	23 Highland Capital Management but also to other	23	thumbnails. Is that it? You weren't --
24	24 subsidiaries that are not owned nor controlled by	24	MR. TAYLOR: Andy --
25	25 Highland Capital as we sit here today, and I am	25	A I was looking at my thumbnails.
	42		44
1	merely asking that Mr. Dondero carefully consider	1	MR. TAYLOR: -- I can represent to you
2	whether any of those services were legal services	2	he is not holding anything in his hands,
3	directed to non-Highland Capital Management	3	electronic, paper or otherwise.
4	entities. That is it.	4	MR. CLUBOK: Mr. Dondero -- Mr. Dondero
5	I don't know exactly what might or	5	has already testified that he received no legal
6	might not have been said. First of all, it calls	6	advice on behalf of Sentinel Reinsurance from
7	for hearsay, but, second of all, to the extent	7	Scott Ellington. So do you have any others that
8	that there was any legal advice rendered to any	8	you are claiming other than Sentinel Reinsurance
9	non-Highland Capital Management entity that is not	9	that Mr. Ellington supposedly gave advice on
10	controlled by Highland Capital today, I believe	10	behalf of in this conversation that I was asking
11	11 you have to assert the attorney-client privilege,	11	Mr. Dondero about, that you're instructing on
12	12 Andy.	12	their behalf Mr. Dondero not to answer?
13	MR. CLUBOK: Okay. So two things.	13	MR. TAYLOR: I'm just representing
14	First of all, just generally speaking, I'm going	14	Mr. Dondero individually. There could be other
15	to ask you to stop making hearsay objections. You	15	entities. I believe there's three different
16	know those are preserved. You don't have to make	16	entities to whom you directed litigation hold
17	them at a deposition. In fact, you're not allowed	17	letters. I'm not representing those, but to the
18	to under the federal rules. So I'm just going to	18	extent any of those other two -- one of them had
19	ask you to stop continually making hearsay	19	the name Sentinel in them and one did not.
20	objections, please. Those objections, as you know	20	To the extent that any of those
21	well, are preserved. You make form and foundation	21	entities received legal advice from Mr. Ellington
22	objections, other than privilege.	22	and that was legal advice, he can't answer to
23	Second of all, with respect to the	23	those entities either. He can't waive their
24	privilege, I am asking you for -- you cannot name	24	privilege.
25	a specific entity that you are asserting that	25	MR. CLUBOK: Okay. What entity -- name

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1 an entity other than -- are you asserting a
 2 privilege on behalf of Sentinel Reinsurance even
 3 in light of what Mr. Dondero has testified under
 4 oath? Yes or no?

5 MR. TAYLOR: I'm asking him to consider
 6 that he cannot waive those privileges on behalf of
 7 those entities.

8 MR. CLUBOK: Okay. You're asking him
 9 to consider. You're not -- are you instructing
 10 him not to answer on behalf of Sentinel
 11 Reinsurance? I just -- you did before.

12 MR. TAYLOR: It's impossible to answer,
 13 Andy, because I don't know exactly what was told
 14 to him. I don't know --

15 MR. CLUBOK: Are you instructing him
 16 not to answer, Clay?

17 MR. TAYLOR: I'm instructing him not to
 18 answer if he got any legal advice on behalf of any
 19 of those entities.

20 MR. CLUBOK: Okay. All right.

21 Q So I'm going to go back to my question
 22 then, Mr. Dondero.

23 Well, first of all, you didn't get
 24 legal advice on behalf of Sentinel Reinsurance in
 25 this conversation with Scott Ellington about

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1 services agreement with Sentinel Reinsurance and
 2 any other Highland entity?

3 **A I don't know. I don't know if there**
 4 **was a formal one there. There were formal shared**
 5 **services agreements and then there were informal**
 6 **shared services agreements.**

7 Q Are you aware, sitting here today, of
 8 any formal shared services agreements with
 9 Sentinel Reinsurance and any other Highland
 10 entity?

11 **A I don't know.**

12 Q You don't know if you are aware or, as
 13 you sit here today, it's true that you're not
 14 aware of any such shared services agreement
 15 between Sentinel Reinsurance and Highland; isn't
 16 that true?

17 **A I -- I don't know, meaning I don't have**
 18 **awareness, but I'm -- and I don't want that to**
 19 **imply that there is or isn't one. I don't know.**

20 Q So getting back to Mr. Ellington, when
 21 he first broached you -- so I want to understand
 22 this. He broached you. At that time you were the
 23 president of Highland Capital Management, correct?

24 **A Yes.**

25 Q And you were the sole director of --

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1 establishing the policy, correct?

2 **A Did I get -- I'm sorry, did I get legal**
 3 **advice from Scott Ellington regarding --**

4 Q Was he acting as your lawyer with
 5 respect to Sentinel Reinsurance or was he acting
 6 as your lawyer with respect to Highland Capital
 7 and the other funds?

8 **A I mean, I think he's always wearing**
 9 **multiple legal hats.**

10 Q Did you think at the time he broached
 11 this policy with you he was wearing a legal hat
 12 with respect to Sentinel Reinsurance?

13 **A Yes, and with regard to Highland also.**

14 Q You think -- so you were -- were you --
 15 you were receiving legal advice from Scott
 16 Ellington in your capacity as a majority owner of
 17 Sentinel Reinsurance when he first broached you
 18 about this policy?

19 **A I think he was wearing a hat -- a legal**
 20 **hat from a Sentinel perspective in terms of**
 21 **structuring and understanding the policy, in order**
 22 **to achieve the business purpose that he was trying**
 23 **to achieve, that he then had to run through**
 24 **Highland compliance.**

25 Q So wait a second. Was there a shared

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1 MR. CLUBOK: Strike that.

2 Q You were in control of what was left of
 3 Highland Financial Partners and its subsidiaries,
 4 correct?

5 **A I don't know if it was me or Highland,**
 6 **but we were trying to take a leadership role in**
 7 **winding that entity down.**

8 Q You, Jim Dondero, were the decision
 9 maker for what was left of Highland Financial
 10 Partners and its subsidiaries at the time
 11 Mr. Ellington approached you about this insurance
 12 policy, correct?

13 **A Generally.**

14 Q And when Mr. Ellington talked to you
 15 about this insurance policy, you say he was
 16 wearing many legal hats. Was one of the legal
 17 hats he was wearing, to your knowledge, as a legal
 18 advisor to Sentinel reinsurance?

19 **A I believe so.**

20 Q And was one of the legal hats that he
 21 was wearing when he approached you about the
 22 insurance policy as a legal advisor to Highland
 23 Capital Management?

24 **A I believe so.**

25 Q And was one of the legal hats that

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1 Mr. Ellington was wearing when he approached you
 2 about this insurance policy was as a legal advisor
 3 to Highland Financial Partners?

4 A I believe so.

5 Q And was one of the legal hats that
 6 Mr. Ellington was wearing when he approached you
 7 with respect to this insurance policy was as a
 8 legal advisor to all of Highland Financial
 9 Partners subsidiaries?

10 A I -- I believe so.

11 Q And was one of the legal hats that
 12 Mr. Ellington was wearing when he approached you
 13 with respect to the insurance policy a legal
 14 advisor to Highland CDO Fund and its subsidiaries?

15 A I -- I don't know if that was relevant
16 or if I had any -- I don't know if that was
17 relevant -- we've had a lot of names that are
18 similar. I'm not even sure what fund that is, per
19 se, but I don't remember that one specifically.

20 MR. CLUBOK: By the way, just for the
 21 record, I know it is hard to -- in the rough --
 22 this is CD -- as in David -- O Fund, CDO Fund.

23 THE WITNESS: Okay. Yeah, I --

24 MR. CLUBOK: I think the court reporter
 25 heard me say CEO Fund, or at least that's the way

1 asserting the privilege. So I'm going to ask the
 2 question, given the record that we have just heard
 3 one more time and ask, did Scott Ellington, in
 4 words or substance, ever mention dealing with UBS
 5 as one of the business reasons for entering into
 6 the insurance policy that we're here to discuss?

7 MR. TAYLOR: And, Andy, I'm going to
 8 make my objection but tell Mr. Dondero it's the
 9 same objection, attorney-client privilege, but
 10 subject thereto, given the foundation you laid,
 11 that you can answer subject to my objection.

12 A Okay. I'd like to get -- can I have an
13 uninterrupted 30-second moment to describe
14 contextually and answer your question in a way
15 that I think connects everything together? If I
16 can go on --

17 Q You can do that. I may go back and ask
 18 my question again if you don't answer it, but go
 19 ahead.

20 A Okay.

21 We filed in October '19. In August of
22 '19, Ellington and I believed we had a handshake
23 agreement with UBS to settle all outstanding
24 issues and get back to most favored nation status
25 instead of our real estate group, that has been

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1 it came out on the rough.

2 Q So I just -- I want to make sure that
 3 you know, Jim, I'm saying Highland CDO Fund. Have
 4 you heard of that?

5 A Yeah, I don't remember what fund that
6 is.

7 Q Are you aware that UBS obtained a
 8 judgment against two funds that you formerly were
 9 involved with?

10 A Are you talking about the recent
11 judgment?

12 Q Yes, the recent judgment.

13 A Yes.

14 Q And who was that judgment against, do
 15 you know?

16 A I do not.

17 Q Do you have any idea who are the
 18 parties that are responsible for the
 19 billion-dollar judgment that UBS obtained?

20 A I do not.

21 Q Getting back to Mr. Ellington, I will
 22 say that, at a bare minimum, if this conversation
 23 was privileged, it was a joint privilege and we
 24 have a representative of Highland Capital
 25 Management here, who have said they are not

1 growing aggressively and would have nice business
 2 reasons to do business with UBS -- instead of both
 3 firms not doing business together, we believed we
 4 had a handshake agreement with UBS that, Andy, you
 5 were involved in. And we believed that that
 6 agreement was for 7 million of cash and 10 million
 7 of future business.

8 And it wasn't that we thought those
 9 monies were for justified damages to UBS for
 10 whatever cases were outstanding in the past
 11 because we truly believed we had paid for releases
 12 from UBS twice. We felt like we had paid
 13 120 million in securities in 2008 or 2009, and
 14 then we felt via the 2015 Redeemer settlement --
 15 Redeemer and Credit Strat settlement of 72 million
 16 or \$77 million, we felt like we had paid for the
 17 same releases from UBS twice, and we believed that
 18 we had no liabilities whatsoever with UBS, and we
 19 believed that the ongoing litigation was just a
 20 cloud over the firm's doing business, and it was
 21 worth us paying \$7 million of cash and 10 million
 22 of future business to put it behind us.

23 So our frame of mind in August of
 24 2019 -- our frame of mind, meaning my frame of
 25 mind and Ellington's frame of mind -- was that the

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1 UBS claims were de minimis, but it was worth
 2 paying seven of cash and ten million of future
 3 business to put it behind us.

4 The case had been dormant for an
 5 extended period of time. And when I say "an
 6 extended period of time," it would be in the years
 7 prior to 2019, incorporating when this reinsurance
 8 policy was done at Sentinel. So the reinsurance
 9 policy, when it was done at Sentinel, was done to
 10 wrap up the HFP issues in aggregate, including all
 11 legal, regulatory, compliance, tax, operating
 12 issues, et cetera.

13 It wasn't done in anticipation of or
 14 trying to circumvent or prepare for some big UBS
 15 judgment because at that period of time, we truly,
 16 and, I think, UBS truly thought that their claims
 17 were zero or de minimis because as recently as
 18 August of 2019 we had a handshake agreement to
 19 settle them for 7 million in cash and 10 million
 20 of future business, which is de minimis in the
 21 overall scheme of things and de minimis relative
 22 to HFP or the Sentinel policy, et cetera.

23 So that's my overall testimony on the
 24 subject, and I don't know much more beyond that.

25 Q Okay. Let me go back to the question I

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1 world that reflect that supposed handshake
 2 agreement?

3 A You know, Andy, I believe -- I know I
 4 heard it from Seery or from UCC -- or not UCC --
 5 from independent board members or from the
 6 mediators last year, that there was a point in
 7 time where you admitted that there was a handshake
 8 agreement, but -- on those numbers at that time,
 9 but that was then and this is now, and now you
 10 guys have a different view and you also have a New
 11 York action.

12 And I -- so I don't have -- I don't
 13 have anything written that's been put in front of
 14 me, but I do believe there are people who will say
 15 that you admitted that occurred. You were
 16 involved with the Indian guy who came over from
 17 London. You were involved with the meetings with
 18 Ellington. I -- but I don't have anything in
 19 writing to support it.

20 Q My question is, are you aware of any
 21 document in the world that reflects the supposed
 22 handshake agreement from August of 2019 that you
 23 just described?

24 A I do not. I do not have such a paper.

25 Q Are you aware of any such documents in

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1 asked you and then we'll cover some of the things
 2 you just said.

3 So, first of all, you're talking about
 4 October of -- you said, "October of '19 we filed."
 5 You mean you filed for bankruptcy in October of
 6 '19?

7 A Highland filed, I think, on
 8 October 16th of 2019.

9 Q Okay. You -- Highland Capital
 10 Management filed for bankruptcy on October 16th,
 11 2019, correct?

12 A Correct.

13 Q And you claim that in August of 2019,
 14 just a few months before that, there was a
 15 handshake deal with UBS to settle all outstanding
 16 matters. Is that your claim?

17 A Yes.

18 Q And have you seen any documents that
 19 support that claim?

20 MR. TAYLOR: Objection. Form.

21 MR. CLUBOK: Withdrawn.

22 Q Have you seen any documents that
 23 reflect that supposed handshake agreement?

24 A No, I have not.

25 Q Are you aware of any documents in the

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1 the world, even if you don't have them, that
 2 reflect the supposed handshake agreement from
 3 August of 2019 that you just described?

4 A I do not. I do not have them and I do
 5 not have awareness of them.

6 Q Now, you claim -- now, you claim that
 7 Jim Seery told you that there had been an
 8 agreement from August of 2019?

9 A No, no, no. And I'm not sure it was
 10 Seery or somebody else under --

11 Q Let's start with Jim Seery, okay. You
 12 said that -- so did Jim Seery, in words or
 13 substance, ever tell you that there was a
 14 handshake agreement in August of 2019 along the
 15 lines that you've just described?

16 A It was -- my recollection is it was
 17 either Jim Seery or somebody else on the
 18 independent board --

19 Q Okay.

20 A -- said that subsequent, meaning in --
 21 sometime in 2020, around the arbitration or
 22 mediation, I believe, that you admitted to people
 23 or to the arbitrators that there was an agreement
 24 in principle but it hadn't been finalized or
 25 documented, but that was then and this is now.

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1	Q Okay. The other independent board	1	or London, but we do have calendar documentation
2	members were John Dubel and Judge Russ Nelms; is	2	of you guys' meeting, I'm sure we do.
3	that right?	3	Q And --
4	A Yes.	4	A Andy, listen, I know I can't enforce a
5	Q So it's your testimony that either Jim	5	handshake agreement. You know, my life would be
6	Seery or John Dubel or Russell Nelms told you that	6	easier and we would have a nice residual value to
7	there had been a handshake deal in August of 2019	7	Highland if I could force the handshake agreement
8	along the lines of what you've just described. Is	8	to be reality. I know I can't force it, but what
9	that your testimony?	9	I'm trying to just lay the ground work of is that
10	A Yes.	10	10 we never viewed the UBS claims -- prior to you
11	Q And you can't remember which of those	11	11 getting the judgment out of the judge in New York,
12	three supposedly told you this, correct?	12	12 we never viewed the UBS claims as material or
13	A Correct.	13	13 significant until then.
14	Q Okay. Now, other than the supposed	14	Q Well, prior to then, you knew that if
15	conversation between one of these three directors	15	UBS were to win its case, the consequences for
16	about this supposed deal, had you ever heard of	16	Highland could be catastrophic, correct?
17	that supposed handshake deal before that time?	17	A No, we never viewed them as a material,
18	A Well, from Scott Ellington, who	18	18 legitimate claim. We believe we had paid for the
19	negotiated with you and the guy from London.	19	19 releases twice before. I don't know what happened
20	Q Okay. So Scott Ellington told you that	20	20 in New York, and I haven't looked at the case. I
21	there was a handshake deal in August of 2019	21	21 don't know what she actually awarded. I don't
22	whereby you would pay \$7 million and \$10 million	22	22 know if we were properly represented or if it was
23	of additional business to resolve all the claims	23	23 done. I don't know if it's appealable. I don't
24	that UBS had against Highland and the affiliated	24	24 know what the New York Circuits represents.
25	funds? Is that your testimony?	25	But I'm just saying that prior to that
	58		60
1	A Yes, correct.	1	1 judgment coming around, we did not believe, and I
2	Q And did Mr. -- when did Mr. Ellington	2	2 don't believe you believed either in August of '19
3	tell you this?	3	3 that the UBS claims were material up until that
4	A At or about when he came back from the	4	4 point. But congratulations on getting a big award
5	meeting with you and the guy from India -- or you	5	5 out of New York.
6	and the Indian guy from London.	6	Q Your testimony is that prior to the
7	Q And this was in August of 2019?	7	time the judgment was awarded, you never believed
8	A Yes.	8	there was any possibility of UBS obtaining more
9	Q And did Mr. Ellington give you any more	9	than, say, \$7 million in total from its lawsuit
10	specifics about this supposed handshake deal?	10	that was pending in New York; is that correct?
11	A Those were the primary business points	11	A That's right, 7, 10, 5, 20, I mean,
12	I remember. I don't remember others.	12	something de minimis, something nominal, you
13	Q Did Mr. Ellington tell you who shook	13	13 know -- I mean, there's always a risk that it --
14	hands on this deal, supposedly?	14	14 you know, just like, you know, we -- Highland went
15	A I don't know the name of the Indian	15	15 into bankruptcy and there were 110 million of
16	guy, but I know -- we do have the calendar	16	16 claims that have now ballooned to 300, you know.
17	meetings that you attended, he attended, the	17	17 So, you know, things can always go awry, but yes,
18	Indian guy attended, you know, et cetera, but I	18	18 that was our opinion.
19	don't know his name off the top of my head.	19	Q So your opinion was there was never a
20	Q Sorry, you have calendar meetings?	20	realistic possibility of the total liability in
21	Where?	21	connection with the UBS legal action in New York
22	A No, no, I mean, they were orchestrated	22	ever being more than, say, 10 or \$20 million,
23	meetings, Andy. I mean, you, Scott, the guy from	23	correct?
24	UBS from -- I think he was from London. I don't	24	A We thought it was something that --
25	remember whether you had the meeting in New York	25	25 like any other potential or lingering claim from

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<p>1 UBS or Barclays or from Citibank or from 2 regulators or from tax authorities, you know, we 3 thought they were all normal course of business 4 that would be resolved for not material amounts of 5 money, correct.</p> <p>6 Q And when you say "we," who is the "we" 7 in that sentence? Are you speaking on behalf of 8 Highland Capital Management, are you speaking on 9 behalf of Sentinel Reinsurance or on behalf of HFP 10 or all of the above?</p> <p>11 A All of the above. And I think that was 12 Ellington's view also, and that's why it made 13 sense to transition an otherwise dead entity via 14 the insurance policy.</p> <p>15 Q What is the insurance -- okay. So 16 getting back to my original question, what, if 17 anything, did Mr. Ellington ever tell you, at the 18 time the insurance policy was being considered, 19 with respect to how it would impact the UBS 20 litigation?</p> <p>21 A I mean, like I said, there wasn't -- it 22 wasn't a specific concern regarding UBS. It was 23 to handle the transition of an otherwise dead 24 entity that was illiquid that still had operating 25 issues without a board and without any management</p>	61	<p>1 you don't, I'll continue going. So it's up to 2 you.</p> <p>3 THE WITNESS: You know what, I have -- 4 at 11:30 I need half an hour. I have got a 5 half-hour meeting I can't move.</p> <p>6 MR. CLUBOK: Okay. If that's the case, 7 then let's keep going for another 11 minutes.</p> <p>8 THE WITNESS: Yes.</p> <p>9 MR. CLUBOK: Okay. Let's continue 10 going, then.</p> <p>11 Is that okay, Clay?</p> <p>12 MR. TAYLOR: Yes.</p> <p>13 THE WITNESS: Yes.</p> <p>14 MR. CLUBOK: Okay.</p> <p>15 So -- we're going to just -- I just 16 want to show you a copy of the subpoena we issued 17 for your testimony today.</p> <p>18 If you could put that up, and I believe 19 we'll mark it as Exhibit 23.</p> <p>20 (Deposition Exhibit 23 marked for 21 identification.)</p> <p>22 REMOTE TECH: Pardon me, Counsel, which 23 tab is that?</p> <p>24 MR. CLUBOK: It was something 25 Ms. George just sent you, probably the last thing</p>	63
<p>1 team and without any way to pay anybody. It was a 2 way to transition all issues, but it wasn't 3 anything specific to UBS that I recall at the 4 time.</p> <p>5 Q Okay. So when you -- and we jumped -- 6 you jumped ahead and started talking about August 7 '19, but the policy was taken out, you know, 8 approximately four years or so ago. So let's say 9 2017.</p> <p>10 A Okay.</p> <p>11 Q Back in 2017, you're saying, the policy 12 was not in any way specifically directed at UBS, 13 correct?</p> <p>14 A Correct.</p> <p>15 Q Okay. And the policy back in 2017 was 16 not issued with the UBS litigation in mind, 17 correct?</p> <p>18 A Yes, that's correct.</p> <p>19 Q And in -- and Mr. Ellington never 20 raised how the policy could impact the UBS 21 litigation when he gave you the business reasons 22 for taking out the policy, correct?</p> <p>23 A Correct.</p> <p>24 MR. CLUBOK: I think this might be a 25 good time to take a break, if you want one. If</p>	62	<p>1 she sent you, two documents. One is the subpoena 2 and one is Mr. Dondero's response via counsel.</p> <p>3 REMOTE TECH: Please stand by.</p> <p>4 MR. TAYLOR: Andy, why are we -- just 5 for my curiosity, why are we starting with 23?</p> <p>6 MR. CLUBOK: Because we're 7 continuing -- we've already marked some exhibits 8 in this action. So, you'll see, we'll go through 9 Exhibits 1 and 2 and 3 later, but they have 10 already been marked in previous depositions.</p> <p>11 MR. TAYLOR: Okay.</p> <p>12 MR. CLUBOK: We're just -- we're trying 13 to keep one set instead of starting every 14 deposition over at 1, which gets very confusing. 15 Then you have, like, ten Exhibit 1s.</p> <p>16 MR. TAYLOR: Understood. Thank you.</p> <p>17 MR. CLUBOK: Sure.</p> <p>18 Q So here is Exhibit 23. This is Exhibit 19 23 for this action. And Exhibit 23 is a copy of 20 the Subpoena to Produce Documents, Information, or 21 Objects or to Permit Inspection of Premises in a 22 Bankruptcy Case. Do you see that?</p> <p>23 A Yes.</p> <p>24 Q And have you seen that subpoena before 25 today?</p>	64

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	65		67
1 A I believe so.		1 MR. CLUBOK: No. I'll have to -- I'll	
2 Q And if I could have control of it,		2 assess during the break and see if I can get an	
3 Jordan.		3 estimate. We have another break that we have to	
4 REMOTE TECH: One moment, please.		4 take, too. What time is the hear- -- is there a	
5 All right. Sir, I've given you		5 hearing still set for today?	
6 control. If you could just click on your screen.		6 MR. TAYLOR: 1:30, and yes.	
7 BY MR. CLUBOK:		7 MR. CLUBOK: Is that substantive or	
8 Q And so you say you believe you have		8 just a call?	
9 seen this Exhibit 23. Are you sure you have seen		9 MR. TAYLOR: We just have to dial in,	
10 it?		10 but both of us have to be there, both he and I.	
11 A I think it was stapled to -- wasn't it		11 MR. CLUBOK: I'm just saying, it's	
12 part of everything else that was sent over? But		12 supposed to be a short meeting, I take it?	
13 this is what covers discovery requests, right?		13 MR. TAYLOR: Actually, I think it might	
14 Q Correct.		14 be a little more substantive, but I'm not sure.	
15 A Yeah.		15 It's a docket call and we do have a motion for	
16 Q And, in particular, there was an		16 continuance which will be argued. So I'm just not	
17 attachment or a page that I have got on the screen		17 sure how long it's going to take, 30 minutes to an	
18 now. It starts with Roman numeral III. It says,		18 hour, my guesstimate.	
19 "Documents to be produced."		19 MR. CLUBOK: Okay.	
20 A Yes.		20 If I can have the control too, Jordan,	
21 Q And did you review Roman numeral III		21 please.	
22 and the 12 categories of documents that you were		22 Thank you.	
23 under subpoena to produce?		23 Q Mr. Dondero, I've got up here an e-mail	
24 A Yes.		24 from Roland Schafer to Andrew Clubok and Katie	
25 Q And did you make an effort to locate		25 George, copying Clay Taylor and Bryan Assink, with	
	66		68
1 documents responsive to that subpoena?		1 the subject, "Dondero Subpoena."	
2 A Yes.		2 Have you seen this document before?	
3 MR. CLUBOK: And we're going to put up		3 A Yes.	
4 what we're going to mark as Exhibit 24. It is a		4 Q And it's been marked as Exhibit 24. In	
5 response that we received to the subpoena last		5 Exhibit 24 Mr. Schafer says that they have	
6 week.		6 completed their "search of the e-mail/documents to	
7 REMOTE TECH: Please stand by.		7 which we have access. Keep in mind that	
8 (Deposition Exhibit 24 marked for		8 Mr. Dondero was exclusively on the HCMLP e-mail	
9 identification.)		9 until December 30th, 2020." He now has a NexBank	
10 Q It is a May 6th, 2021 e-mail from		10 e-mail account and beginning in late March 2021 he	
11 Schafer to Clubok.		11 moved to NextPoint e-mail. Or he had a NexBank	
12 MR. TAYLOR: We're not seeing that,		12 e-mail account, I should say, in the beginning of	
13 Andy.		13 late March 2021. And he said that the only	
14 MR. CLUBOK: It will just take a		14 documents are communications between yourself and	
15 second. I think Jordan is putting it up. There's		15 his law firm, and that's it, that in any way are	
16 a little bit of a lag with this process. I'm not		16 responsive to the subpoena request we issued.	
17 seeing it either, for what it's worth.		17 I'm paraphrasing, but that's the gist	
18 REMOTE TECH: Counsel, I apologize. I		18 of what it said, correct?	
19 have to get this downloaded real quick.		19 A Yes.	
20 MR. CLUBOK: No problem. Take your		20 Q And is that the case, that you have	
21 time. I was just explaining to Clay.		21 absolutely no access to or control over or ability	
22 MR. TAYLOR: Andy, for planning		22 to obtain any document that is in any way	
23 purposes while we wait, do you have any idea how		23 responsive to Exhibit number 23 other than	
24 late you're thinking, how many hours more you		24 communications with your attorneys?	
25 need?		25 A That is correct.	

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1 MR. CLUBOK: Okay. Let's see. Thank 2 you. Jordan, we can take that off the screen. 3 Okay. 4 Q Let me just see if I can do a couple 5 more quick things here before your 12:30. 6 Other than this -- 7 MR. CLUBOK: Well, strike that. 8 Q Other than the insurance policy that's 9 the subject of this litigation that we have been 10 talking about, I think you said that you 11 understood that Sentinel had issued policies such 12 as D&O insurance and title reinsurance, correct? 13 A Yes. 14 Q For the D&O insurance, who were the 15 insureds that you are aware of that Sentinel 16 Reinsurance issued policies for? 17 A I mean, some of them were completely 18 third party. I think some of them were the back 19 end of related D&O insurance, you know, where 20 somebody like an Aon or somebody would take the 21 first, would take 60 percent of premium, would be 22 the face of the premium, and take the first X 23 dollars of loss, and then Sentinel would take the 24 back half. Or maybe it was the reverse, where 25 Sentinel would take the first piece of the loss	69 1 I'm just saying as far as business or policies 2 that Sentinel issued or was part of, there were -- 3 there were multiple types. 4 Q Right. But to be clear, Sentinel Re is 5 affiliated with you, Jim Dondero, correct? 6 A If you define affiliate as similar 7 ownership, then yes, yeah. 8 Q Okay. And Sentinel Re did issue 9 policies to other entities that have overlapping 10 ownership with you, correct? 11 A Correct. 12 Q And what were those entities that 13 Sentinel Re issued policies to that you were in 14 some way connected to? 15 A Like I said, I believe they did some 16 D&O insurance splitting on some of the private 17 equity companies in the portfolio. 18 Q Like what? 19 A I don't remember, and I don't know 20 which ones they did, but I remember that was a 21 business line or a business purpose for a few 22 years. 23 Q Is there any entity that you can name 24 here today that Sentinel Reinsurance issued a 25 policy to that you have some beneficial interest	70 1 and Aon would take the back piece. But it was 2 splitting -- it was splitting policies with some 3 major carriers. 4 Q Sorry. So when you use that phrase 5 "completely third party," using that phrase, would 6 you say that Sentinel Reinsurance is a completely 7 third-party entity? 8 A No -- is it completely third party, no. 9 B But to be a bona fide reinsurer in Cayman, Cayman 10 doesn't want reinsurance companies or banks to be 11 captive or not be legitimately in the insurance or 12 banking business. So you have to have a portfolio 13 or a certain amount of legitimate insurance and 14 reinsurance from a variety of players. 15 Q Okay. But Sentinel Re is an affiliate 16 of yours, correct? 17 A Affiliate in terms of similar 18 ownership, I guess, you know. 19 Q If I just asked you generically, it's 20 Sentinel Re third-party -- how did you use the 21 phrase? I'm sorry. If I said is Sentinel Re a 22 completely third-party entity to you, Jim Dondero, 23 you would say no, that's not true, correct? 24 A Well, I would say there is the 25 beneficial ownership that we have spoken of, but	71 1 in? 2 A You'll have to ask Scott. Scott 3 Ellington is the right person to ask. 4 Q How about you? As you sit here today, 5 are you aware of even a single entity that you can 6 think of -- are you claiming that you don't know a 7 single entity that Sentinel Re issued a policy to 8 that you have a beneficial ownership in? 9 A No, I don't remember. I don't remember 10 specifically. 11 Q Do you know what proportion of Sentinel 12 Re's business was issuing policies to entities 13 that had some sort of connection to you? 14 A I do not. 15 Q Okay. Well, look, it's 11:30. I will 16 say, we weren't told about this break. We also 17 obviously weren't told we were going to start a 18 half hour late. So we're going to -- it's going 19 to end up becoming a long day at a minimum. When 20 is the meeting? 21 MR. CLUBOK: Let's go off the record. 22 THE VIDEOGRAPHER: Off record. 12:31. 23 (A recess was taken.) 24 THE VIDEOGRAPHER: On record. 1:11. 25
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1 BY MR. CLUBOK:

2 Q Okay, Mr. Dondero, Mr. Ellington --
 3 we've talked a little bit about what Mr. Ellington
 4 told you about the insurance policy that was
 5 ultimately issued by Sentinel Reinsurance that is
 6 the subject of today's discussion. Do you
 7 remember that discussion before our break?

8 A Yes.

9 Q Okay. At the time you signed -- first
 10 of all, did you know that the --

11 MR. CLUBOK: Strike that.

12 Q Did you know the policy limit of that
 13 policy that you signed off on?

14 MR. CLUBOK: Strike that. Let me say
 15 that more clearly.

16 Q With respect to the Sentinel
 17 Reinsurance policy that Mr. Ellington spoke to you
 18 about in 2017 and that you approved, did you know
 19 the policy limits when you approved it?

20 A Just in a most general sense that it
 21 was approximately 100 million. I don't know if
 22 there were different amounts set for different
 23 items or occurrences. I just remember the policy
 24 being around 100 million bucks.

25 Q And when did you -- how did you learn

1 have been natural for me even to sign the policy,
 2 but if I did, I did not read it or have any
 3 specific knowledge of what it covered or didn't
 4 cover.

5 Q Did you sign the policy?

6 A I don't believe so. I have no
 7 recollection of that.

8 Q And you have no recollection of ever
 9 actually reading the policy, correct?

10 A Correct.

11 Q Do you have a recollection of reading
 12 any ancillary documents of the policy itself, like
 13 any related documents that were about the policy
 14 or connected to the policy in some way?

15 A No.

16 Q At the time Sentinel Re issued the
 17 \$100 million policy that you approved, what was
 18 the largest policy they had previously issued?

19 A I have no idea.

20 Q Had they ever previously issued a
 21 policy anywhere in the same magnitude as the
 22 policy that's at issue here today?

23 A I believe they have done multiple
 24 policies in the millions and tens of millions, but
 25 I don't know the specifics.

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1 that the policy was \$100 million?

2 A I just remember the policy was -- there
 3 is really only -- it took lots of twists and
 4 turns, I believe, to get it through compliance and
 5 get it through the reinsurer. I just remember
 6 there was a lot of back-and-forth, but I remember
 7 generally the policy was targeted to be around
 8 100 million.

9 Q How did you learn that the policy was
 10 \$100 million? Did you learn it by reading it --
 11 reading the policy? Did you learn it because
 12 Mr. Ellington told you? Did you learn because
 13 compliance said something to you? How did you
 14 learn that the policy was \$100 million?

15 A From Scott Ellington. You know, he
 16 handled the interactions with compliance and the
 17 reinsurer. I don't believe I ever saw the policy,
 18 nor was I involved in any of the conversations
 19 with the reinsurer or the -- or Highland
 20 compliance, that I remember.

21 Q But you approved the policy, correct?

22 A I approved the -- yes.

23 Q And prior to approving the policy, did
 24 you read it?

25 A No. I'm not -- I don't think it would

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1 Q Can you name one policy that they had
 2 done in the tens of millions prior to the policy
 3 that's at issue that we have been discussing
 4 today?

5 A I wouldn't have specific knowledge.

6 Q Well, you said you believed they've
 7 done multiple policies in the millions and tens of
 8 millions. Did you just make that up, or is that
 9 based on something specific?

10 A Well, like I said, I believe they did
 11 some large title policy sharings that --

12 Q You're saying under oath that you
 13 believe they had previously issued a policy that
 14 was at least \$10 million prior to issuing the one
 15 that we have been discussing today?

16 MR. TAYLOR: Object to the form of the
 17 question. Okay.

18 A I don't know if --

19 Q Let me ask it again.

20 Sir, are you testifying that you
 21 believe that Sentinel Reinsurance had previously
 22 issued a policy that was at least \$10 million
 23 prior to issuing the policy that we have been
 24 discussing today?

25 A Okay. I don't know if it's prior or

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1 subsequent, but I know -- I don't know. I believe
 2 they have, on some of the big title insurance,
 3 like there was a big \$65 million title insurance
 4 policy that they split with somebody. I don't
 5 know if it was before or after. But my belief is
 6 they have or continue to do things in the millions
 7 and tens of millions of dollars.

8 Q I want you to focus on my question. I
 9 want you to -- there was a time when you approved
 10 the issuance of this \$100 million policy, correct?

11 A Yes.

12 Q And it was not a title insurance
 13 policy, right?

14 A Correct.

15 Q It was a judgment insurance policy,
 16 correct?

17 A I don't know what it covered and what
 18 it didn't cover.

19 Q Well, a \$100 million policy covered a
 20 lot more than expected legal fees, correct?

21 A I believe it covered legal outcomes
 22 also, but --

23 Q Okay. So in addition to covering legal
 24 fees, it also was intended to cover against
 25 judgments that would be entered against the

1 having gotten and underwritten significant
 2 insurance in a lot of other companies and a lot of
 3 other places, it's a -- there's a lot of specifics
 4 and a lot of highly negotiated parts to it, in
 5 insurance in general, and I have no awareness of
 6 what this policy covered, didn't cover, under what
 7 circumstances, et cetera.

8 Q At the time that you approved the
 9 \$100 million insurance policy, did you understand
 10 that part of what was covered by the policy was
 11 legal liability of HFP and its subsidiaries?

12 A I didn't have specific knowledge of
 13 what was covered but an understanding that there
 14 was some coverage of liability or outcomes.

15 Q Okay. You understood that some of
 16 the -- the \$100 million policy was not just for
 17 legal fees and expenses, but it was also for some
 18 liability or potential liability in litigation
 19 with the insureds, correct?

20 A Yes, and that's about as far as it
 21 goes.

22 Q And did you have any idea whatsoever,
 23 when you approved the policy, as to what would be
 24 the circumstances whereby that payment obligation
 25 for legal liability would be triggered?

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1 insureds, correct?

2 A If you say so. Again, I don't have
 3 specific knowledge.

4 Q No, I want to know what you say under
 5 oath.

6 So you approved this policy and when
 7 you approved it, and you knew it was \$100 million,
 8 did you understand that part of the policy was as
 9 judgment insurance in case the insureds lost at
 10 trial?

11 A I did not have that specific
 12 understanding.

13 Q Did you understand that part of the
 14 \$100 million policy's purpose was to pay for any
 15 legal liability of the insureds who paid for the
 16 policy?

17 A I didn't have that specific knowledge.
 18 And a word like "any" would be something I would
 19 not have any knowledge of. And these insurance --
 20 any type of insurance and reinsurance things has
 21 specifics around what's covered, what's not, what
 22 entities, what has to be done in order to collect
 23 or not collect. And I'm not even saying all this
 24 from a Sentinel perspective.

25 I'm just saying from my awarenesses of

1 A I have no idea.

2 Q Did you have any idea whatsoever, at
 3 the time that you approved the \$100 million
 4 insurance policy, that a trigger of coverage under
 5 the policy would be legal liability of CDO Fund or
 6 SOHC to UBS?

7 A I have no idea. I had no idea then and
 8 I have no idea now what's covered, what's the
 9 triggers, and if it's -- if there's a bona fide
 10 amount due or not. I have no idea.

11 Q What was the amount paid for the
 12 policy?

13 MR. CLUBOK: Strike that.

14 Q The amount paid for a policy is often
 15 called a premium, right?

16 A Yes.

17 Q You are familiar with the term
 18 "premium" in connection with an insurance policy,
 19 right?

20 A Yes.

21 Q Okay. What was the premium on this
 22 \$100 million insurance policy that you approved?

23 A I -- I don't know -- I've heard -- you
 24 know what, I don't know how the -- what I do know
 25 at the time is the illiquid assets were 70 or

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	81		83
1 80 million bucks. That's what I do know at that 2 time. I do remember that.		1 are twists and turns, or you specifically know 2 there were twists and turns connected with this 3 insurance policy?	
3 How they were accounted for or how much 4 of it was premium, how much of it was other 5 consideration or whatever, I don't know what 6 the -- I don't know what the split or the 7 breakdown was.		4 A There are always twists and turns, and 5 especially if we're on both sides of a 6 transaction, there's heightened compliance 7 scrutiny and then there's also heightened 8 regulatory scrutiny. So there's -- A, there's 9 always twists and turns, and there's definitely 10 always significant twists and turns if we're 11 involved on both sides of it.	
8 Q Okay. We'll come back to that answer, 9 but, first, I want to start with the question I 10 asked you, which is, what was the premium on the 11 \$100 million insurance policy that you approved?		12 Q And in this case you were involved on 13 both sides of it, correct?	
12 A I don't know.		14 A Yes.	
13 Q So you started to say in your answer, 14 "t've heard," and then you caught yourself. What 15 had you heard in connection with this question I 16 asked?		15 Q And, as a result, you had to get 16 your -- you had to disclose that involvement on 17 both sides to your compliance people in order to 18 get it approved?	
17 A I was remembering back, and, again, 18 this took lots of twists and turns, and I don't 19 even have a basis for saying "I heard." There 20 was -- there was -- I don't even have a basis 21 for -- it was a matter of trying to bridge the 22 illiquid assets to some liquidity and have some of 23 it be called a premium and some of it be called 24 something else. But I don't even know what -- I 25 don't even know what else or if it was all called		19 A Yes.	
82		20 Q And who did you disclose that to in 21 compliance?	
1 premium. The policy took twists and turns through 2 the regulators and compliance. I don't know what 3 the final structure of the policy was other than 4 it was ultimately about \$100 million of coverage.		22 A I wasn't directly involved, but I know 23 Scott Ellington worked closely with Thomas Surgent 24 on it.	
5 Q And these twists and turns that you say 6 it took, is the entirety of your information about 7 that from Scott Ellington?		25 Q And who was Thomas Surgent at that --	
8 A Yes. And -- but I wasn't involved in 9 the twists and turns. At the time this wasn't 10 that big of a deal. It was something that was 11 just trying to help transition a dead entity.		84	
12 Q Sorry, but you said there were twists 13 and turns. How did you know that there were 14 twists and turns?		1 MR. CLUBOK: Or strike that.	
15 A I just know there were. I mean, 16 because what they were trying to do, they had to 17 get it through both the regulators and Highland's 18 compliance department, so I -- there's always 19 give-and-take on their independent views of what's 20 the risk, what's the business purpose, what's a 21 fair structure, et cetera, et cetera. So that's 22 what I mean by "twists and turns."		2 Q What did Thomas Surgent do at that 3 time?	
23 Q Yeah, but you say you just know there 24 were twists and turns. You mean you were just 25 imagining it or guessing or because there always		4 A He was our chief compliance officer.	
		5 Q And how do you know that Scott 6 Ellington worked closely with Thomas Surgent to 7 get approval for this transaction with the 8 insurance policy in 2017?	
		9 A He told me. And ultimately he had -- I 10 know he had to get Tom Surgent's sign-off on it, 11 which I believe he did.	
		12 Q And you said, "He told me." Do you 13 mean Scott Ellington told you?	
		14 A Yes.	
		15 Q And you -- how do you know that Scott 16 Ellington had to get Tom Surgent's sign-off on 17 this policy being issued?	
		18 A I can say unilaterally for at least the 19 last 15 years we've never done a transaction that 20 we were on both sides of, that didn't have 21 compliance sign off.	
		22 Q Okay. So your absolute policy at 23 Highland Capital is for any transaction where you 24 have a connection to both sides of the 25 transaction, "you" meaning Jim Dondero, you always	

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1	get compliance approval, correct?	1	Q How would Mr. Surgent have learned that
2	A Yes.	2	Sentinel Reinsurance was an affiliated entity?
3	Q And is that a policy that Scott	3	A He would have known as part of Scott
4	Ellington knows about?	4	Ellington's presentation to him proposing the
5	A Yes.	5	transaction.
6	Q Is that a policy that Thomas Surgent	6	Q What presentation are you talking
7	knows about?	7	about?
8	A Yes. It's an industry -- it's a	8	A Compliance builds -- they definitely
9	post-2008 Sarbanes or Dodd-Frank mandate. Chief	9	have folders and documentation on any transaction
10	compliance officers have the personal liability of	10	11 that they -- especially any significant
11	12 a C-suite executive starting in '08 in financial	11	transaction that they approve. They have to keep
12	firms.	12	written documentation for the regulators.
13	Q I see. So if Thomas Surgent did not --	13	Q Sorry, but have you seen a presentation
14	MR. CLUBOK: Strike that.	14	15 that Scott Ellington prepared to describe the
15	Q If Thomas Surgent -- well, you had to	15	transaction that he would have shared with
16	get Thomas Surgent's approval because you, Jim	16	17 Mr. Surgent?
17	Dondero, had beneficial ownership interest on both	17	A I have not seen it.
18	sides of the transaction, correct?	18	Q Have you seen any presentation that
19	A Not because of -- more of control, not	19	19 Scott Ellington ever prepared related to this
20	benefi- -- beneficial ownership on the Sentinel	20	21 transaction?
21	side. You have control on both sides, but, yes,	21	A I have not.
22	23 it was appropriate to get compliance approval,	22	Q Did Mr. Ellington -- did -- were you
23	24 which I'm certain we did. I can't imagine -- I	23	ever --
24	25 can't imagine there is any transaction where, any	24	MR. CLUBOK: Strike that.
25	transaction over the last 15 years that would	25	Q How often do people use PowerPoints
	86		88
1	involve affiliated entities that did not have	1	1 with you back in this time period to describe
2	compliance approval.	2	2 transactions or make it easier to follow them?
3	Q And in this situation Sentinel Re	3	A Often.
4	insurance would have been an affiliated entity,	4	Q Why?
5	using the phrase the way you just used it,	5	A I mean, just often. I mean, there's
6	correct?	6	process for investment underwriting, there's
7	A Yes.	7	process for trade execution, there's process for
8	Q And HFP and its subsidiaries would have	8	investment monitoring and tracking. Most of those
9	been affiliated entities, using the phrase the way	9	9 are documentation, you know, based. And there is
10	10 you just described it, correct?	10	10 process and procedures around compliance also, and
11	A Yes.	11	11 those are generally documentation based also.
12	Q Is it your responsibility to ensure	12	Q Would you have received a presentation
13	13 that compliance measures are adhered to?	13	14 for every major transaction that one of the
14	A Yes. I mean, it's every professional	14	15 affiliated entities did during this time period?
15	16 the organization's responsibility, as part of	15	A Not on the compliance side. I'm not
16	17 the annual compliance review, to run appropriate	16	18 directly involved in compliance. On most -- on
17	19 things through compliance. But I would say under	17	most significant investments, generally I would be
18	20 an abundance of caution, the organization is	18	21 in an investment committee or be aware or be
19	22 pretty well trained that anything that's close	19	23 presented with something, yes.
20	24 goes through compliance.	20	Q And so it would be highly unusual for
21	Q Okay. But you never spoke with	21	22 you not to be presented with a PowerPoint, or the
22	23 Mr. Surgent directly about this transaction,	22	23 like, sort of presentation if there was a
23	24 correct?	24	25 significant transaction being contemplated with
24	A Correct. Scott Ellington was the	25	25 one of the affiliated entities at that time,
25	26 person on this transaction.		25 correct?

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1		1	expected." Sorry --
2	MR. TAYLOR: Objection to form.	2	A Less than 7 or 8 of liquid assets or
3	A If there was a significant investment	3	cash is what I would have expected. I would --
4	being made, you know, per se, but, again, that	4	when I say "preponderance," I would have guessed
5	wasn't the case in what we're talking about. And	5	that 90 percent, or I would have expected
6	I didn't see a PowerPoint on the insurance -- on	6	90 percent or more was illiquid.
7	the insurance product overall.	7	Q Sorry. So do you believe that it was
8	Q Well, you mentioned before that you	8	approximately 7 or 8 million dollars in liquid
9	heard that there were 70 to 80 million dollars in	9	assets that was transferred as part of this?
10	A Correct.	10	A No, I'm saying I don't know, but you
11	Q And was it your understanding that all	11	were asking me my expectation of de minimis, and I
12	12 of those assets were transferred to Sentinel	12	would say that I would have thought that the cash
13	13 Reinsurance?	13	and the liquid portion of the portfolio would have
14	A I believe that was part of the policy	14	been 10 percent or less.
15	15 or part of the premium, and, again, part of the	15	Q Okay. So if the liquid portion was
16	16 transition to, you know, provide liquidity and	16	more than 10 percent, that's above what you call
17	17 some functionality.	17	de minimis in a transaction like this, correct?
18	Q And did you understand that in addition	18	A Yeah, I mean, you're asking my
19	19 to illiquid assets there were also liquid assets	19	expectations, but I don't have specific awareness.
20	20 that were transferred to Sentinel Reinsurance as	20	Q Okay. Did you -- so getting back to
21	21 part of the premium?	21	Mr. Surgent, how would he have known that this was
22	A I don't remember that. I remember it	22	an affiliated transaction?
23	23 being almost entirely illiquid assets.	23	A He would have known from the
24	Q Were there any -- was there any cash	24	24 presentation, but he also has a high degree of
25	25 that was transferred as part of the premium	25	25 awareness of our corporate structures and our
	90		92
1	payments?	1	various entities, and it would have been part of
2	A I don't believe there was anything	2	his analysis and decision-making process. He
3	3 liquid or cash other than a de minimis amount.	3	3 wouldn't have approved it without knowing the
4	4 That's my recollection. But I never saw a	4	4 details and the counterparties.
5	5 reconciliation or a true-up. But it was never	5	Q And when compliance approves
6	6 described to me as anything other than a	6	transactions like this, is there a formal process
7	7 preponderance of illiquid assets.	7	they go to? Is there a way that that approval is
8	Q What would a de minimis amount -- when	8	reflected? Is there a form they fill out? Is
9	you say "de minimis," you're -- in the past, I've	9	there a, you know, group of people they have to
10	learned that your view of de minimis is different	10	copy? Anything like that?
11	than lots of people's view. So when you say	11	MR. TAYLOR: Objection to the form.
12	12 "de minimis," do you mean less than 1 million,	12	A I don't know the -- there is some
13	13 less than 10 million, less than 100 million?	13	13 formality to the process, but I don't know what it
14	14 What's de minimus to you in this context?	14	14 is.
15	A I would guess that there would be less	15	Q Did you ever see an approval by
16	16 than 10 percent of any kind of liquid or cash	16	Mr. Surgent --
17	17 assets. That would be my guess. That would be	17	A No.
18	18 10 percent or -- well, less than 10 percent.	18	Q -- of this projection?
19	Q Okay. But if it was \$10 million in	19	A I have not.
20	cash, you would consider that to be de minimis?	20	Q Okay. So we got off on a little
21	A I was kind of using 10 percent as a	21	tangent here, but are you aware of Sentinel Re
22	22 cutoff. It was 7 or 8 -- 7 or 8 or less of cash	22	ever issuing any other judgment insurance policy
23	23 or illiquid assets is what I would have expected.	23	23 in its history?
24	Q Sorry. You said, "It was 7 or 8 less	24	A I -- I don't know, but I know it's
25	25 of cash or illiquid is what I would have	25	25 considered some, and I know it's fought claims,

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1 you know, but I don't know for sure.		1 Are you saying that the main business	
2 Q Do you know -- by the way, I've called		2 purpose of this insurance policy was to do	
3 it a judgment insurance policy. Have you heard of		3 something other than act as a legal liability	
4 a phrase called "after the event," or "ATE"		4 insurance policy?	
5 policy?		5 A Yes.	
6 A Yeah, I mean, like I said, I know		6 Q And what is that other thing, or what	
7 people sell claims and judgments, and after -- I		7 is the other function of this policy other than	
8 mean, I have heard the term, yes.		8 being a legal liability insurance policy?	
9 Q Okay. Would you describe this policy		9 A To transition the residual legal, tax,	
10 as an after the event policy?		10 authority, organizational responsibilities and	
11 A No.		11 issues over an extended period of time faced by a	
12 Q Why not?		12 dead entity that had been unwound as worthless for	
13 A I mean, for all the reasons we talked		13 tax purposes and wasn't functioning in and of	
14 about earlier. We viewed all the residual issues		14 itself.	
15 at HFP to be things that would be handled in due		15 Q Could you be any more specific than	
16 course and they needed liquidity and legal help or		16 that in terms of the purpose of this policy other	
17 coordination. And the thought was, over an		17 than to serve as a legal liability insurance	
18 extended period of time, things would be resolved		18 policy?	
19 in normal course of business for not gigantic		19 A I just said it, and I've said it, like,	
20 amounts of issue.		20 five times, so I'm not going to say that again.	
21 Q Right, but the insurance policy that		21 But for transition issues on residual legal,	
22 you approved, I think you previously agreed it was		22 regulatory, tax, operating issues and that -- but	
23 a -- it could be called a judgment insurance		23 there was a liability component to it also. But	
24 policy, correct?		24 the expectation was that the liability stuff would	
25 A I mean, I think I resisted naming it		25 resolve itself over time, you know, partly with	
	94		96
1 that because I viewed it as much more than that,		1 legal fees and partly with maybe some settlements,	
2 but that it did have some liability component to		2 partly with, you know, time lapse on statute of	
3 it, but I don't believe that that was the primary		3 limitations, you know, who knows.	
4 purpose.		4 And then but what also happens too is	
5 Q But you would agree that the policy was		5 things that you don't know or don't expect at the	
6 a legal liability insurance policy, correct?		6 time you put a transition policy like this in	
7 A No, I don't want to say that.		7 place, there are things you don't know that end up	
8 Q I'm not asking if you want to say that.		8 coming up later, like -- you know, like whatever,	
9 I'm asking if it's true. It's true that this		9 like HarbourVest in the Highland case wasn't	
10 policy that you approved for -- with a		10 something that was known or thought about when	
11 \$100 million potential value was a legal liability		11 filed.	
12 insurance policy, correct?		12 Q Did this policy cover the HarbourVest	
13 A I'm saying my recollection is that it		13 case?	
14 had a component of that to it, but that was not		14 A I'm sorry, I got off on a tangent. I	
15 the full extent of it or the business purpose of		15 don't think HarbourVest is related to what we're	
16 it, per se.		16 talking about today.	
17 Q You're saying the main business purpose		17 Q Okay. So I want to talk about things	
18 of this insurance policy was to be something other		18 that are related what we're talking about, and I	
19 than a legal liability insurance policy; is that		19 want to know very specifically -- let's take it --	
20 correct?		20 just ask it again clearly.	
21 Sorry, that question got garbled.		21 You're saying -- would you agree the	
22 A Yeah, there was --		22 main purpose of this policy was to serve as a	
23 Q Jim, I'm sorry, let me ask it again		23 legal liability insurance policy? Would you agree	
24 because that question got garbled a little bit the		24 with that?	
25 way I said it.		25 A No. I believe it was a component of	

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1 it.		1 Q No, I understand. I'm going to come	
2 Q Okay. And so you have testified that		2 back to the main purpose, but as a secondary	
3 the main point of issuing this insurance policy		3 purpose, in your view, you would agree that the	
4 was to assist in the transition of HFP. Is that a		4 insurance policy, when it was taken out, was	
5 fair characterization of what you said?		5 intended to cover legal liability to UBS for any	
6 A Yes.		6 of the affiliated entities that signed on to the	
7 Q And specifically how? How would this		7 policy on the off chance that such liability	
8 policy help -- how was it intended that this		8 arose, correct?	
9 policy would help HFP transition other than by		9 A Not particularly, but for all legal	
10 being available to satisfy the legal liability HFP		10 liability issues in general. You have to	
11 might have with respect to the UBS claims?		11 remember, there were big residual issues with	
12 A Again, because it would handle the		12 Barclays. There was big residual issues with	
13 ongoing issues of an offshore Cayman entity that		13 Citibank. There were aggressive worthlessness	
14 wasn't functioning but had a tail of legal,		14 deductions taken by some of the investors in there	
15 regulatory, tax, operating issues, some of which		15 that could have created a tax audit or regulatory	
16 were known and some of which were unknown. And it		16 issues -- not regulatory issues so much as tax	
17 didn't have liquidity or staff to handle it on its		17 issues with the IRS.	
18 own, and Sentinel would be providing that		18 And so it was meant to cover all those	
19 functionality.		19 things and address all those things if the	
20 Q Sorry, how? How exactly? What		20 residual, dormant, dead HFP entity were attacked	
21 specifically was anticipated when you signed off		21 by anybody.	
22 on this policy that Sentinel would ever do other		22 Q I'm going to come back to the other	
23 than cover legal liability with respect to the UBS		23 things, okay, and I want to -- you've said a bunch	
24 claim?		24 of other things that you claim the policy was	
25 A It would manage all the things I just		25 intended to, but one of the things that the policy	
	98		100
1 talked about as transition items.		1 was intended to cover when you approved it was any	
2 Q What do you mean, "manage"? Like		2 legal liability of HFP or its affiliates to UBS in	
3 Sentinel was going to bring people over to manage,		3 connection with the New York litigation, correct?	
4 Sentinel was going to pay for something? What was		4 A As long as we use the words "one of the	
5 the specific thing that Sentinel was signing up to		5 things," not the main thing, not the primary thing	
6 do under this policy other than satisfy legal		6 not the focus of our attention at that point in	
7 liability to UBS for its litigation in New York?		7 time. As long as it's just included among the	
8 A Again, the UBS litigation in New York		8 litany of other residual things that HFP was	
9 wasn't viewed as likely or material at the time.		9 dealing with, yes. But I resist putting any --	
10 We went over that earlier. But let's say -- okay.		10 and I won't put any clarifier on it that makes it	
11 HFP --		11 seem like it was a main point of contention	
12 Q Wait, wait, sorry. Just to be clear		12 because we absolutely, at the time, viewed the --	
13 here, you're saying at the time this policy was		13 all the way up through August of '19 viewed UBS as	
14 taken out there was no expectation of any material		14 not significant and not a material risk.	
15 legal liability for any of your affiliated		15 Q Yes, you've testified to that. So you	
16 entities as a result of the UBS litigation,		16 say that this policy was not taken out with a	
17 correct?		17 specific eye to UBS, correct?	
18 A Correct. I said it four times earlier.		18 A Yes.	
19 Q I understand. So getting back to the		19 Q And you say that the main point of this	
20 policy, so -- but by the way, would you agree that		20 legal liability insurance policy was not to cover	
21 the policy was intended to cover the UBS		21 liability to UBS, correct?	
22 litigation liability on the off chance, from your		22 A Correct.	
23 perspective, that there should be liability?		23 Q We'll come back to that. We'll come	
24 A Again, it was a secondary not a main		24 back to the other purpose of the policy, but I	
25 driver. The business purpose was for transition.		25 just want to focus on it is the case, though, that	

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<p>1 you would agree that at least one of what you say 2 are many purposes of this insurance policy was to 3 cover any legal liability of HFP or its affiliates 4 to UBS in connection with the New York litigation, 5 correct?</p> <p>6 MR. TAYLOR: Andy, this has been asked 7 and answered numerous, numerous times at this 8 point.</p> <p>9 MR. CLUBOK: Then it's a simple yes. 10 Then I would like a simple yes to this question, 11 Clay. It should be real simple. I'll ask the 12 question again, and I have never gotten a simple 13 yes. I've gotten a lot of stuff that the judge 14 doesn't like. So I'm going to ask Mr. Dondero, as 15 he said at the beginning, that he'd say yes if it 16 was a simple answer, and so I'm going to ask the 17 question one more time and then I'll move on.</p> <p>18 Q Even though I understand you say that 19 there were other purposes of this insurance 20 policy, you agree that at least one purpose of the 21 insurance policy that you approved, that we have 22 been talking about today, was to cover any legal 23 liability of HFP or its affiliates to UBS in 24 connection with the New York litigation, correct?</p> <p>25 MR. TAYLOR: I'm just going to object</p>	101	<p>1 what I think Mr. Dondero is fighting on, so I'm 2 going to try to keep being more and more specific. 3 Q Mr. Dondero, would you agree that at 4 least one purpose of the \$100 million insurance 5 policy that you approved was to cover liability to 6 UBS in connection with the New York litigation on 7 behalf of HFP and its affiliates?</p> <p>8 A Yes.</p> <p>9 Q Thank you. Okay.</p> <p>10 Now, let's talk about the other 11 purposes of the policy. Are you saying that the 12 policy also covered any losses that HFP or its 13 affiliates might suffer to Barclays after the 14 issuance of the policy?</p> <p>15 A Again, I haven't seen it, but my belief 16 was that it was -- the business purpose was 17 that -- for it to be broad based for things known 18 and unknown and include a variety of tax and/or 19 legal dispute counterparties.</p> <p>20 Q But you specifically said Barclays. 21 That's why -- I didn't -- that came from you, as 22 an example. And I don't know if you're just 23 making that up as an example or if you're saying 24 that you specifically, when you approved it, 25 understood the policy to cover potential liability</p>	103
<p>1 to the form.</p> <p>2 A Okay, Andy, I can't say yes because of 3 what you threw in there on the clarifiers at the 4 end that I don't know the answers to. I don't 5 know what the terms and conditions and trigger 6 points and I don't know which entities of HFP are 7 included in the policy or not included in the 8 policy. I don't know. But the general purpose 9 was to cover whatever legal disputes and 10 resolutions HFP would be subject to. I mean --</p> <p>11 MR. CLUBOK: Okay, Clay, that's why the 12 question has not been asked and answered. Every 13 time I've asked it, there has been a different 14 qualification. I'm going to explore this until I 15 get a direct answer, okay? I'm going to ask you 16 not to keep objecting "asked and answered." I 17 will show that clip to the judge, and it's -- I 18 can't stop Mr. Dondero from qualifying things, but 19 I'm allowed to keep asking until I get an answer 20 to my question.</p> <p>21 MR. TAYLOR: Andy, here is just 22 something for your consideration. You keep on 23 throwing in the word "any" --</p> <p>24 MR. CLUBOK: I understand. I've asked 25 different questions, and I'm getting closer to</p>	102	<p>1 with Barclays. And that's what I'm trying to get 2 at. I'm going to ask -- you threw out different 3 names, and I'm trying to just see if you were just 4 throwing those out up against the wall or if you 5 were actually saying, I recall that those were 6 things the policy was intended to cover.</p> <p>7 So let me -- with that in mind, I'll 8 just ask you. When you signed off on this 9 \$100 million insurance policy, did you believe 10 that it would cover liability that HFP or its 11 affiliates might face to Barclays in the future?</p> <p>12 A Yes, to any claim known and unknown. I 13 mean, that -- the history of Highland over the 14 last 15 years is resolution of a dispute is not 15 necessarily as much resolution as we thought it 16 was. You know, like I said, UBS -- we thought we 17 had them settled in '08 and then we paid again in 18 2015, and you're back again, right? And then 19 Redeemer, we settled with them in 2015, all kinds 20 of accolades and whatever, and then they came back 21 to us with arbitration and award and forced us 22 into bankruptcy on the same issues, you know.</p> <p>23 So it's -- the settlements that we had 24 with Barclays, the settlements that we had with 25 Citibank all could have potentially come back</p>	104

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<p>105</p> <p>1 similarly because their settlements touched HFP 2 also, just like your guy's settlements touched 3 HFP.</p> <p>4 Q I'm going to ask you to please listen 5 to the questions I ask and answer the questions 6 that I ask, if you can.</p> <p>7 Are you saying that when you signed off 8 on this \$100 million insurance policy, you 9 believed that it would cover any liability from 10 any source against HFP going forward, known or 11 unknown?</p> <p>12 A That was my belief that it was -- the 13 business purpose was primarily, yes, a transition 14 policy.</p> <p>15 Q And so, from the time that you signed 16 this policy through today, if HFP or any of its 17 affiliates have any legal liability, your 18 expectation is that it would be covered by this 19 \$100 million policy, correct?</p> <p>20 A I didn't sign the policy, and the 21 insurance policy, whatever it says, it says, and 22 who it covers under what circumstances it will 23 cover or dispute, but I don't know the specifics.</p> <p>24 Q Okay. Mr. Dondero, so first of all --</p> <p>25 A The answer is I don't know. If you</p>	<p>107</p> <p>1 A That's my recollection. 2 Q And that's -- did you ever look at the 3 assets that were transferred?</p> <p>4 A No. 5 Q Did you ever review the fair market 6 value of the assets that were transferred to buy 7 this policy?</p> <p>8 A No. That is how it was presented to 9 me, that it was 70 or 80 million of fair market 10 value.</p> <p>11 Q Presented to you by Scott Ellington?</p> <p>12 A Yes. 13 Q Okay. And when you approved that 14 transaction -- I'm trying to figure out what you 15 believed you were buying with all those assets 16 that you were moving from one affiliated entity to 17 another, okay. And by the way, was it an arm's 18 length transaction?</p> <p>19 A Yeah, I -- ultimately getting it 20 through compliance and the regulators, I think 21 that's one of the standards that compliance and 22 the regulators use, is that it's a 23 market-structured -- a market-level transaction. 24 That's the whole purpose of compliance when you 25 have affiliated entities.</p>
<p>106</p> <p>1 don't like my clarifier, then my answer is I don't 2 know.</p> <p>3 Q Well, my questions have been from the 4 beginning, when you signed off -- first of all, 5 you claim you didn't sign the policy, right?</p> <p>6 A I don't believe I did, no.</p> <p>7 Q Okay. But you at least know that you 8 signed off on the policy. You authorized it to be 9 signed, correct?</p> <p>10 A Yes.</p> <p>11 Q Okay. And when you authorized the 12 signing of a policy for \$100 million and the 13 transfer of roughly that amount or more in assets 14 from other affiliated entities --</p> <p>15 MR. TAYLOR: Object to that 16 characterization of the evidence.</p> <p>17 Q Okay. Well, would you agree that over 18 \$100 million in fair market value was transferred 19 to Sentinel Re in consideration for this policy?</p> <p>20 A My recollection is it was between 70 21 and 80.</p> <p>22 Q You said before -- you think the total 23 fair market value of the assets transferred to 24 Sentinel Reinsurance for this policy was between 25 70 and 80 million dollars?</p>	<p>108</p> <p>1 Q Did you make any effort to ensure that 2 it was an arm's length transaction or the 3 equivalent of an arm's length transaction?</p> <p>4 A No. Again, that would have been the 5 responsibility of compliance and the regulators. 6 Q Did you ever do a market test to see 7 what the fair market value of the assets were?</p> <p>8 A I did not, but I'm very comfortable 9 organizationally the fair market values at any 10 point in time are accurate and that's been proven 11 for 15 years.</p> <p>12 Q Sorry, the fair market values that 13 Highland retains on its books are accurate?</p> <p>14 A Very accurate. They are robustly 15 tested, verified, generally third parties. They 16 are documented. I'm very comfortable our fair 17 market values on liquid, less liquid, and illiquid 18 securities, whatever buckets 1, 2 and 3, are 19 accurate.</p> <p>20 Q So if the documents -- 21 MR. CLUBOK: Strike that.</p> <p>22 Q So where would we go to find documents 23 that reflect the fair market values of the assets 24 that were transferred at the time of the 25 transfers?</p>

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1 A That would all be at Highland.		1 liability with respect to other entities other	
2 Q Where?		2 than UBS, Barclays, Citibank that we have not	
3 A We keep detailed valuation records		3 specifically mentioned?	
4 going back 20 years.		4 A Yeah, or tax authorities or -- yes. I	
5 Q In what system?		5 mean, that just -- that was part and parcel of it,	
6 A I don't know.		6 but, again, the terms of the payouts and the -- I	
7 Q Who would know?		7 have no knowledge of. And I don't know if they	
8 A I don't think Highland could be		8 are specifically addressed or ignored. I don't	
9 compliant as a registered investment advisor and		9 know how UBS is handled in the policy. I do not	
10 not be able to produce those to you.		10 have detailed knowledge on the specifics.	
11 Q Who would be able to most easily get		11 Q When was the last time you thought	
12 those documents, if they are still there, if you		12 about the policy before you got the -- before you	
13 know?		13 heard about this adversary proceeding?	
14 A DSI is functioning as the back office		14 A I hadn't thought about it at all. I	
15 of Highland, as far as I understand it.		15 wasn't even sure the New York action applied,	
16 Q And there would have been fair market		16 honestly.	
17 values for each of the assets that were		17 Q Other than legal liability for either	
18 transferred to pay for the insurance policy?		18 attorneys' fees or bad outcomes of litigation, you	
19 A Yes.		19 have repeatedly used a phrase about "liquidity for	
20 Q And we could rely on those fair market		20 transition." I'm trying to understand,	
21 values in the Highland books if we wanted to know		21 specifically under what circumstances did you	
22 the fair market value of the assets that were		22 think Sentinel Re would ever pay money to handle	
23 transferred?		23 something that was not lawyer fees or legal	
24 A I believe so.		24 liability under this policy?	
25 Q So when you -- getting back to what you		25 A Well, lawyers' fees, essentially, you	
	110		112
1 knew at the time, you approved this transaction.		1 know, any other operating or regulatory costs or	
2 A Right.		2 defenses, and then bona fide settlements and then,	
3 Q Did you believe that you were		3 you know, but -- Andy, I know you know the	
4 purchasing liability insurance for all known and		4 insurance world. Bona fide settlements are --	
5 unknown claims of Highland Financial Partner and		5 bona fide settlements are getting paid on a	
6 its subsidiaries?		6 more -- that's a whole industry subset of its own,	
7 MR. TAYLOR: Objection to the form of		7 you know.	
8 the question.		8 Q We'll come back to that. What do you	
9 A I didn't have specific knowledge beyond		9 mean by "operating or regulatory costs"? What	
10 that it was a transition policy to cover -- to		10 does that mean?	
11 provide the liquidity and the management necessary		11 A If there's any regulatory costs for	
12 to deal with the conflicts and then probably net		12 operating in the Caymans, if there is any, like I	
13 of those amounts to provide some amounts of		13 said, tax questions on -- or challenges on the	
14 liability insurance given certain circumstances or		14 worthlessness deduction when HFP was unwound, I --	
15 certain events.		15 you know, all those kinds of things.	
16 Q Did you believe that you were buying		16 Q You believe that this policy you're	
17 liability insurance with respect to the Barclays		17 buying would pay for costs associated with	
18 claims that were known or unknown at the time?		18 challenges to the worthless tax deduction that you	
19 A Generally, yes.		19 took when HFP was declared insolvent?	
20 Q Did you believe you were buying legal		20 A Again, I believe there was a transition	
21 liability insurance with respect to the Citibank		21 policy. That's how it was presented to me.	
22 claims against HFP and its subsidiaries that were		22 Q Are you saying that you believe the	
23 known or unknown at the time?		23 policy that you approved buying, that we have been	
24 A Generally, yes.		24 discussing today, was expected to pay costs	
25 Q Did you believe you were buying legal		25 associated with challenges to the worthless tax	

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1 deduction that you took when HFP was declared 2 insolvent? 3 A Yes. 4 Q And did Sentinel Re ever pay any costs 5 associated with that worthless tax deduction that 6 you took? 7 A I do not know. The administering of 8 the policy and the payment of expenses and legal 9 fees, Scott Ellington would have an awareness of 10 that. I do not. 11 Q By the way, that worthless tax 12 deduction provided a significant tax benefit to 13 you personally, correct? 14 A I don't know. I wasn't a majority 15 owner in HFP. "A significant tax" -- it was a 16 complete wipeout economically, and there was 17 some -- but those are bona fide -- the 18 worthlessness deduction for a dead entity is a 19 bona fide -- it's a bona fide tax deduction, it's 20 a bona fide policy. But a lot of times the IRS 21 questions it. It doesn't mean that it was in any 22 way inappropriate. 23 Q But if UBS had lost its litigation 24 against HFP and its subsidiaries, that worthless 25 tax deduction would have had to be reversed,	113 1 that. 2 Q You remember that you were -- maybe 3 without knowing the specific numbers, you remember 4 you faced significant consequences if the 5 worthless tax deduction you took in connection 6 with HFP was disallowed by the IRS, correct? 7 MR. TAYLOR: Same objections. 8 A Yeah, I have no awareness of that, 9 Andy. And, listen, the way I understand worthless 10 deductions is it's really a declaration at a time 11 and point that the entity is worthless and no 12 longer exists, okay, as a functioning entity. If 13 the tax authorities overturn that position, it 14 doesn't mean you never get that tax deduction for 15 the loss that's occurred. It just means you get 16 it later. 17 So it's not -- it's a timing issue more 18 than anything else. And, again, it's in no way 19 improper, but I don't remember it being a decision 20 variable as you're describing it. 21 Q You knew that everyone who was 22 potentially going to be impacted, if the worthless 23 tax deduction was disallowed, would potentially 24 have a claim directly against you as the decision 25 maker of HFP, is that true?
1 correct? 2 A I have no knowledge or awareness of 3 that. 4 Q You were told specifically that there 5 would be a significant tax liability for you and 6 others if HFP and its subsidiaries were to prevail 7 in the New York litigation against UBS; isn't that 8 true? 9 A I don't remember that at all. 10 Q You remember that you were on the hook 11 for over \$50 million personally if that worthless 12 tax deduction was overturned by the IRS, correct? 13 MR. TAYLOR: Objection to the form. 14 A I have no specific knowledge on any of 15 this, Andy. 16 Q I should say -- 17 A You can refresh -- 18 Q -- you remember that you were on the 19 hook for over \$50 million personally if the 20 worthless tax deduction was disallowed by the IRS, 21 correct? 22 MR. TAYLOR: Objection. Lack of 23 foundation and calls for speculation. 24 A I don't have a -- you can try and 25 refresh me on it, but I have no recollection of	114 1 A No, that's not true. 2 Q Scott Ellington repeatedly warned you 3 that there would be significant tax consequences 4 if the worthless tax deduction were to be 5 disallowed by the IRS, correct? 6 MR. TAYLOR: Object to the form of the 7 question. 8 A I don't remember that, Andy. And just 9 because you're a tax partner doesn't make you 10 liable. You do things in good faith, and it ends 11 up being a timing issue and the IRS delays the 12 deduction. That doesn't necessarily -- that 13 doesn't necessarily create any liability. 14 Q Scott Ellington repeatedly warned you 15 that if HFP were to win the litigation against 16 UBS, there would be significant tax consequences, 17 correct? 18 MR. TAYLOR: Object to the form of the 19 question. 20 A I don't remember any of that, Andy. 21 Q Scott Ellington tried to get you to 22 settle the UBS case many times, right? 23 A I -- I mean, again, I remember the 24 August '19 stuff. I don't remember many times 25 before that. I don't remember a bid ask before

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117	119
1 that. 2 Q Is the DAF -- the DAF is a 3 donor-advised fund?	1 Q Well, do you know who the DAF owes that 2 \$32 million to today?
4 A Yes. 5 Q And it's a charitable fund that you 6 established?	3 A No, I do not. 4 Q You have no clue whatsoever as to 5 where -- as to who is the current holder of that 6 \$32 million note; is that correct?
7 A Yes. 8 Q Roughly how much does it have in assets 9 right now?	7 A I do not. I'm willing to be refreshed, 8 but I don't know. I don't remember.
10 MR. TAYLOR: Andy, that's not at all an 11 appropriate line of questioning, and he does not 12 have to answer it.	9 Q Who is responsible for making payments 10 on behalf of the DAF of that \$32 million note?
13 MR. CLUBOK: It is, and I'll link it up 14 here in a second.	11 A The -- I don't know, the DAF trustee, I 12 guess.
15 Q It certainly has -- well, let me put it 16 this way: You know that HFP and CDO Fund 17 collectively had a \$32 million note payable from 18 DAF that it transferred to Sentinel as part of 19 purchasing the insurance policy; isn't that true?	13 Q Who is the DAF trustee? 14 A Grant Scott.
20 A I believe there is a note in there from 21 the DAF of 32 millionish, but I don't remember how 22 it got there.	15 Q And does Grant Scott have full 16 authority to pay off that \$32 million note?
23 Q And did the DAF have enough money to 24 pay that \$32 million?	17 A I believe ultimately. 18 Q Do you have any say in the matter?
25 A It doesn't have the liquidity, but it	19 A I think we're investment advisor for 20 the DAF.
21 Q Who is "we" in that sentence?	21 Q Who is "we" in that sentence?
22 A I believe -- that's a good question.	22 A I believe -- that's a good question.
23 Probably Sky -- probably SkyBridge, I'm guessing, 24 has a shared services asset management agreement	23 Probably Sky -- probably SkyBridge, I'm guessing, 24 has a shared services asset management agreement
25 with the DAF, replacing what used to be done by	
118	120
1 has more than 100 million in assets at this point. 2 Q Okay. The DAF has more than 3 \$100 million in assets. Has it made any payments 4 on this \$32 million note?	1 Highland. 2 Q When was that?
5 A I do not know. 6 Q Who owns the \$32 million note now?	3 A That started when everybody moved -- 4 well, Seery terminated all the agreements, I
7 A I do not know. 8 Q It was held by HFP and CDO Fund 9 previously, correct?	5 think, at the end of February. When everybody 6 moved over here at the end of February or March, 7 the bank and the DAF and other entities redid
10 MR. CLUBOK: Strike that. 11 Q It was held by either HFP or CDO Fund 12 prior to the Sentinel Reinsurance policy purchase, 13 correct?	8 their shared services agreements with SkyBridge. 9 Q And you control SkyBridge, correct?
14 A I believe so. 15 Q And you understand that it was 16 transferred to Sentinel Reinsurance as part of the	10 A No, I do not. 11 Q What ownership do you have in
17 insurance policy, correct?	12 SkyBridge?
18 A It would make sense that that would 19 have been part of the illiquid securities or	13 A I believe at the moment it's zero and 14 we're trying to figure out how best to construct
20 illiquid asset bucket. 21 Q And you know it has been transferred 22 since, right?	15 the ownership there. 16 Q Who owns SkyBridge?
23 A I don't have -- I don't have the 24 specific knowledge to be helpful here, Andy. I	17 A The employees at the moment. 18 Q Which employees?
25 don't know.	19 A I don't know. We're doing an 20 organizational restructure analysis of how that
21 entity should be held. And I haven't seen the 22 final recommendation yet.	21 entity should be held. And I haven't seen the 22 final recommendation yet.
23 Q Who is controlling SkyBridge today?	23 Q Who is controlling SkyBridge today?
24 A I -- I don't know. I don't know how 25 much of it is -- it's some combination of Frank	24 A I -- I don't know. I don't know how 25 much of it is -- it's some combination of Frank

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<p>1 Waterhouse and -- some combination of Frank 2 Waterhouse, J.P., probably Isaac and Ellington, 3 but I don't want to say for sure Isaac and 4 Ellington because I don't know.</p> <p>5 Q And you are saying that you have no say 6 whatsoever in SkyBridge as of today?</p> <p>7 A Other than as a client, I'm not an 8 owner.</p> <p>9 Q What do you mean, "other than as a 10 client"?</p> <p>11 A Well, other than as -- I'm the chairman 12 of NexBank and NexBank is a client, and I'm the 13 president of NextPoint and NextPoint is a client.</p> <p>14 Q Does SkyBridge have full authority to 15 make a decision as to whether and if or when the 16 DAF pays off the \$32 million note that used to be 17 held by HFP and CDO Fund?</p> <p>18 A I don't know. I don't know -- I don't 19 know where the responsibilities begin and end on 20 the asset management agreement.</p> <p>21 Q So this is a long detour from when I 22 first asked you about Sentinel and whether they 23 had ever issued any other legal liability 24 insurance policies or after -- let me ask it this 25 way: I will represent to you that this policy has</p>	<p>121</p> <p>1 all for legal liability insurance, after the event 2 insurance or judgment insurance?</p> <p>3 A I know they evaluated a lot of the 4 policies. I didn't have knowledge of the specific 5 alternative policy that was done like this. I did 6 not.</p> <p>7 Q And did you know they had ever 8 evaluated a legal liability insurance policy, an 9 after the event policy or a judgment insurance 10 policy prior to the time they issued this 11 \$100 million policy that you authorized?</p> <p>12 A Yes, I believe they have and they do to 13 this day.</p> <p>14 Q Okay, but I didn't ask you about this 15 day. Stay with me on the questions. It's back in 16 2017. When you approved the policy, name one 17 policy that they had ever evaluated that was a 18 legal liability policy, an after the event policy 19 or a judgment insurance policy prior to the time 20 that they issued this \$100 million policy that you 21 authorized in August 2017?</p> <p>22 A I wouldn't have specific knowledge, but 23 I believe they were -- or they did evaluate 24 others.</p> <p>25 Q Based on what?</p>
<p>1 sometimes been called a legal liability insurance 2 policy, sometimes it has been called an after the 3 event policy, sometimes it's been called a 4 judgment insurance policy.</p> <p>5 I'm going to say other than this policy 6 that we have been discussing today, has Sentinel 7 Reinsurance ever issued any policy that you would 8 characterize as a legal liability insurance 9 policy, an after the event policy or a judgment 10 insurance policy?</p> <p>11 A I don't know.</p> <p>12 Q When you authorized the issuance --</p> <p>13 MR. TAYLOR: Andy, can you come to a 14 logical stopping point? We're going to have to 15 hop off here really soon and get relogged in to 16 the court system.</p> <p>17 MR. CLUBOK: Yeah, that's fine. I'll 18 go no more than about five minutes or so and I'll 19 find a logical stopping and we'll take a break, 20 maybe five or ten, but not ten to eleven -- five 21 to seven, or less.</p> <p>22 Q Mr. Dondero, when you authorized the 23 issuance of this policy for \$100 million, at that 24 time in your head, were you aware of Sentinel 25 Reinsurance ever previously issuing any policy at</p>	<p>122</p> <p>124</p> <p>1 A Their high awareness of this kind of 2 policy, how to structure it, how to get it through 3 the regulators, how to get it through compliance, 4 et cetera. Because I think they had reviewed and 5 looked at numerous other policies that were like 6 this policy.</p> <p>7 Q But as far as you know, they never 8 issued one like this policy before then, correct?</p> <p>9 A I don't know.</p> <p>10 Q And as far as you know, you're unaware 11 of them ever actually issuing a policy like this 12 one prior to this policy being issued, correct?</p> <p>13 A Correct. I don't have specific 14 awareness.</p> <p>15 Q And you before had said that you 16 believe there had been a title insurance policy of 17 up to \$65 million that was issued that at least 18 they had some role in. Are you saying that that 19 was before August '17, that \$65 million title 20 insurance policy you mentioned before? Or do you 21 know?</p> <p>22 A I don't remember the dates, but it -- 23 it was -- it was on or around that time because it 24 was -- it was a significant number of years ago.</p> <p>25 Q What was the premium for that</p>

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<p>1 \$65 million title insurance policy roughly?</p> <p>2 A I don't know. A few million -- a</p> <p>3 couple few million bucks. Oh, no, wait a minute.</p> <p>4 I'm sorry. Excuse me. Let me -- it was a</p> <p>5 \$65 million premium. It was on the Cheniere</p> <p>6 facility in Houston. It was a</p> <p>7 multi-billion-dollar title policy on their</p> <p>8 \$12 billion facility outside Houston. The premium</p> <p>9 was 65 million, and we shared in some of the</p> <p>10 premium with some other reinsurance companies, but</p> <p>11 the gross amount was in the billions.</p> <p>12 Q Roughly how much of the 65 million</p> <p>13 premium went to Sentinel Reinsurance, roughly?</p> <p>14 A I don't know. But for each dollar of</p> <p>15 premium, it was probably 20 times as much title</p> <p>16 insurance face.</p> <p>17 Q Okay. But what was the face of the</p> <p>18 title insurance that Sentinel Reinsurance issued?</p> <p>19 I'm not asking what all the other insurers or</p> <p>20 reinsurers --</p> <p>21 A I don't know.</p> <p>22 Q My original question to you was, prior</p> <p>23 to issuing this \$100 million face value policy,</p> <p>24 were you aware of any other policy that Sentinel</p> <p>25 Re had issued with a liability of at least</p>	<p>125</p> <p>1 the day-to-day to know.</p> <p>2 MR. CLUBOK: Okay. Let's go ahead and</p> <p>3 take our break now. Let's convene five minutes</p> <p>4 after the Court breaks. Does that work, Clay?</p> <p>5 MR. TAYLOR: Sure. Let's go off the</p> <p>6 record.</p> <p>7 MR. CLUBOK: Oh, sure.</p> <p>8 THE VIDEOGRAPHER: Off record. 2:22.</p> <p>9 (A recess was taken.)</p> <p>10 THE VIDEOGRAPHER: On record. 4:35.</p> <p>11 (Deposition Exhibit 25 marked for</p> <p>12 identification.)</p> <p>13 BY MR. CLUBOK:</p> <p>14 Q Mr. Dondero, we're about to show you a</p> <p>15 document that's been marked as Exhibit 25. It is</p> <p>16 a document that has got "Sentinel Reinsurance,</p> <p>17 LTD" at the top, and it's a cover letter that</p> <p>18 says, "Via e-mail" and attaches -- what the cover</p> <p>19 e-mail says are "the revised unaudited financial</p> <p>20 statements of Sentinel Reinsurance as of, and for</p> <p>21 the year ended, December 31, 2016."</p> <p>22 MR. TAYLOR: We can't see that.</p> <p>23 MR. CLUBOK: I understand. We're going</p> <p>24 to make it more accessible here, hopefully. Okay.</p> <p>25 Q Can you see the first page now of</p>
<p>1 10 million? You mentioned the 65 one, but now</p> <p>2 you're saying you don't really know how much of it</p> <p>3 was Sentinel Re. So I'm just asking you to be --</p> <p>4 to name any policy that you actually are aware of,</p> <p>5 or tell us that you're not really aware of any,</p> <p>6 that were for more than \$10 million that Sentinel</p> <p>7 Re had issued prior to issuing this \$100 million</p> <p>8 policy that you approved in August of 2017.</p> <p>9 A I'm going to stay with the Cheniere</p> <p>10 title policy as my answer, but I don't know the</p> <p>11 specifics.</p> <p>12 Q And you have no idea how much of that</p> <p>13 Cheniere title policy was on Sentinel Re's hands,</p> <p>14 correct?</p> <p>15 A Correct.</p> <p>16 Q And do you know that that was issued</p> <p>17 prior to August 2017?</p> <p>18 A I believe on or about, but I don't know</p> <p>19 the dates.</p> <p>20 Q Is there any other example you can</p> <p>21 think of that even might be a policy that would be</p> <p>22 10 million or more than Sentinel Re has ever</p> <p>23 issued other than potentially its involvement in</p> <p>24 the Cheniere title insurance?</p> <p>25 A I -- no, I wasn't involved enough in</p>	<p>126</p> <p>1 Exhibit 25?</p> <p>2 A Yes.</p> <p>3 Q And Exhibit 25 is a document. It's</p> <p>4 entitled "Sentinel Reinsurance LTD." It's a</p> <p>5 letter that on its face says was sent via e-mail</p> <p>6 to Mr. J.P. Sevilla at SAS Asset Recovery Limited</p> <p>7 from Peter Kranz, CPA, at Beecher Carlson</p> <p>8 Insurance Services, LLC, as Manager for Sentinel</p> <p>9 Reinsurance, Limited.</p> <p>10 Do you see that?</p> <p>11 A Yes.</p> <p>12 Q Now, first of all, you know who J.P.</p> <p>13 Sevilla is, right?</p> <p>14 A Yes.</p> <p>15 Q In August 2017 he worked at Highland</p> <p>16 Capital Management?</p> <p>17 A Yes.</p> <p>18 Q And he wore several hats, I take it,</p> <p>19 for different entities?</p> <p>20 A Yes.</p> <p>21 Q And one of them was for an entity</p> <p>22 called SAS Asset Recovery Limited?</p> <p>23 A I can't say for sure whether he worked</p> <p>24 there or not or was just providing services. I</p> <p>25 don't know.</p>

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	129	1 Q Was there a shared services agreement 2 between SAS Asset Recovery Limited and Highland 3 Capital Management? 4 A Yes. I mean, it might not have been 5 formal but either informal or formal, but it was 6 one of the entities that I believe Highland 7 provided services for. 8 Q Do you have an ownership stake in SAS 9 Asset Recovery Limited? 10 A I don't believe so. 11 Q What is SAS Asset Recovery Limited? 12 A I think they primarily do litigation 13 financing. Litigation financing, litigation joint 14 venture stuff around the -- around the world. 15 Q Who owns SAS Asset Recovery Limited? 16 Or who is the beneficial owner of it, I should 17 say. 18 A I don't know. 19 Q You have no idea whatsoever as you sit 20 here today? 21 A Yes, that's correct. 22 Q Isn't it true that -- 23 A I would -- let me just say that it's 24 something you could put on the list for us to get 25 you that information, if it's appropriate for us	131
	130	1 to get you that information, but I don't know the 2 answer. 3 Q Who would know the answer? 4 A I don't know, but I would find out. 5 Q You have absolutely no idea who has any 6 ownership interest in SAS Capital -- SAS Asset 7 Recovery Limited; is that what you're saying? 8 A Correct. It was a complex structure, 9 and I don't remember how it shook out at the end 10 of the day. But like I said, I'm not being 11 evasive. If it's -- you know, give us some time. 12 If it's appropriate for us to give you the answer, 13 we can get the answer. I just don't know. 14 Q Did you ever have any control over SAS 15 Asset Recovery Limited in any way? 16 A I don't believe so. I don't know 17 throughout its history, but I don't believe so. 18 Q Was Scott Ellington a beneficial owner 19 of SAS Asset Recovery Limited? 20 MR. TAYLOR: Objection. Form. 21 A I don't know. 22 Q Why would SAS Asset Recovery Limited 23 have been getting the unaudited financial 24 statements of Sentinel Reinsurance? 25 A I don't know. I don't know if	132
		1 involved in it and it was a litigation funder, as 2 far as you know? 3 A Yeah, I mean, that's really all I know 4 about it. 5 Q Did you ever receive the financial 6 statements of Sentinel Reinsurance? 7 A No. I'm curious what -- when you flip 8 the page, I'm curious what it's going to say. But 9 this was early -- earlier on, I guess. 10 Q So -- all right. Let's flip the page. 11 The second page of Exhibit 25 is the table of 12 contents. The next page, which is also Bates 13 labeled, ending with the digits 1069, is the 14 Sentinel Reinsurance, Limited, Management 15 Discussion and Analysis, dated December 31st, 16 2016, or, I suppose, as of December 31st, 2016. 17 MR. TAYLOR: Andy, could you blow that 18 up a little? It's a little bit hard for us to see 19 here. 20 Q Can you see it, Jim? 21 A It's tough. My vision is not so good 22 either. 23 Q Is that better? 24 A That's better, yeah. 25 Q Okay. And you can see that it says	

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1	that 'For the 12 months ended December 31st, 2016	1	Q When you approved the \$100 million
2	and 2015, Sentinel Reinsurance, Limited had pretax	2	policy in August 2017, did you know what the
3	income of \$4.2 million and \$5.1 million,	3	balance sheet of Sentinel Reinsurance, Limited
4	respectively.' Do you see that?	4	showed?
5	A Yep.	5	A No.
6	Q Did you know that Sentinel Insurance's	6	Q You can see from this document that it
7	pretax income for the years 2016 and 2015 were	7	reports that as of the end of 2016, the cash and
8	approximately a little over 4 million and a little	8	investments totaled \$5.9 million.
9	over 5 million, respectively?	9	A Yes.
10	A I did not.	10	Q And you see that there was unearned
11	Q It says the capital and surplus at the	11	premiums of about 1.2 million as of the end of the
12	end of 2016 was about 17.6 million. Do you see	12	12 year 2016, right?
13	that?	13	A Yes.
14	A Yes.	14	Q Were you aware of any of that
15	Q Did you know that?	15	information when you signed off on the
16	A No, I did not.	16	16 \$100 million insurance policy that has been the
17	Q Did you have any idea about the income	17	17 subject of today's discussion?
18	or capital and surplus levels at Sentinel	18	A No.
19	Reinsurance ever?	19	Q Did you -- I'm flipping the next page,
20	A No.	20	20 which says, "Sentinel Reinsurance, Limited,
21	Q Do you have somebody in your life who	21	21 Financial Statements" as of December 31st, 2016.
22	would manage an investment like Sentinel	22	22 And then on the next page -- I'll scroll down a
23	Reinsurance, Limited for you, that you had a	23	23 little so you can see it more easily -- it shows
24	70 percent stake in?	24	24 the balance sheets as of December 2016 and
25	A Scott Ellington.	25	25 December 2015. Do you see that?
	134		136
1	Q Okay. It's entirely Scott Ellington	1	A Yep.
2	who's responsible for managing Sentinel	2	Q And do you see where it says
3	Reinsurance and monitoring it?	3	"Shareholders' Total Equity," and breaks it down
4	A Yes.	4	4 from contributed surplus, unrealized loss,
5	Q And he's always had that role since its	5	5 et cetera, and then Total Shareholders' Equity.
6	founding?	6	6 Do you see that?
7	A Yes.	7	A Yes.
8	Q And is there any one else at all you	8	Q Does that in any way help you remember
9	know that's involved in Sentinel Reinsurance,	9	9 roughly how much you invested in Sentinel
10	Limited, other than Scott Ellington?	10	10 Reinsurance that narrows the range from 1 to
11	A Not that I'm aware of. If there is, he	11	11 200 -- sorry, from 1 to 125 million dollars, as
12	would know.	12	12 you previously testified?
13	Q Did Scott Ellington ever report	13	A I -- is that -- is that what you're
14	anything about the financials of Sentinel	14	asking me, is 20 or 30 million dollars between 1
15	Reinsurance to you in any way?	15	and 100? Yeah, but I didn't know these numbers
16	A I mean, sometimes he would verbally	16	specifically.
17	talk about it, but -- you know, like the	17	Q No, I previously asked you how much you
18	transaction we were discussing earlier. But other	18	invested in Sentinel Reinsurance, and you said you
19	than that, there wasn't a formal reporting process	19	19 didn't really know other than it was somewhere in
20	20 or -- or I wasn't in the loop on documentation	20	20 the range of 1 to 125 million dollars. And I'm
21	21 such as this.	21	21 wondering if, by looking at this balance sheet, it
22	Q Did you ever in your life see a	22	22 in any way refreshes your recollection or allows
23	document that referred to Sentinel Reinsurance,	23	23 you to better narrow the range of how much you
24	Limited?	24	24 invested in Sentinel Reinsurance.
25	A I don't believe so.	25	A I don't -- was it started in this year?

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1 Was it started in '15? I mean, I don't know when 2 exactly it started, but it's looking like there 3 was -- it looks like it was worth 20-odd million 4 dollars. I don't understand the dividend lines, 5 though. I will say that. I don't remember ever 6 getting a dividend out of Sentinel.	1 see that? 2 A Yep. 3 Q Any of this ring a bell at all? 4 A Nope. 5 Q But you would expect Scott Ellington 6 would know all about this? 7 A Yes. 8 Q And there is no other human being that 9 you can identify who you would expect to know 10 about this? 11 A No. Yeah, but again, you know, to the 12 extent that Scott needed help or access to other 13 people, he would know.	
7 Q Would you have records to show whether 8 or not you ever received a dividend from Sentinel?	14 Q Are you still unable to narrow down how 15 much you invested in Sentinel Reinsurance to 16 anything more definite than somewhere between 17 1 and 125 million dollars?	14 Q Do you know who Andrew Dean is? 15 A No. 16 Q I'm flipping through the pages here to 17 the page titled "Summary of All Units," and it 18 says, "Underwriting Income," "Premiums written" 19 and "Change in unearned premiums." Do you see 20 that?
9 A I mean, I would know if I did. I don't 10 know if Sentinel was part of a holding company or 11 something. Maybe there's a holding company above 12 this. But I can say for sure -- I can say for 13 sure I never received 70 percent of 11.5 or 4.0.	11 A Yeah, but again, you know, to the 12 extent that Scott needed help or access to other 13 people, he would know.	
14 Q Okay. I'm flipping to the next page, 15 and it shows the income statements for 2016 and 16 2015. Have you ever seen this before?	14 Q And do you see that it says 15 "Inception-to-Date," the total premiums written 16 were \$6.2 million as of the end of the year 2016, 17 correct?	
21 A No.		
25 Q Did you have any knowledge of even		
	138	140
1 directionally or approximately the amount of 2 income that Sentinel Reinsurance generated in 2016 3 and 2015?	1 A Yes. 2 Q And do you remember previous -- and 3 then it says there's unearned premiums of 4 \$1.228 million. Do you see that? 5 A Yes. 6 Q So does this information change your 7 view as to whether or not Sentinel Reinsurance had 8 ever issued a policy for more than -- a single 9 policy for more than \$10 million prior to August 10 of 2017?	
4 A No.		
5 Q I'm showing you the next page, which is 6 marked "Sentinel Reinsurance, Limited, Statements 7 of Cash Flow" for the periods of 2016 and 2015, 8 and it shows "Net income," "Cash Flows from 9 Investing Activities," and "Cash Flows from 10 Financing Activities." Do you see that?	11 A Well, I mean, we only go through end of 12 '16 here. I don't know how rapid the growth was 13 in '17, but it was -- you know, it's clearly -- 14 it's clearly a start-up but it's on a significant 15 trajectory, with the desire probably to have even 16 greater trajectory. So I -- you know, so maybe 17 the bigger policies came later.	
11 A Yep.		
12 Q And do you see where it shows cash 13 balances as well?	18 But, anyway, I -- like I said, I wasn't 19 involved in the day-to-day. I don't have 20 awareness, exactly.	
14 A Yes.		
15 Q And here it refers to significant 16 dividends paid in 2016.	21 Q Okay. But in 2017, in approximately 22 August, you authorized an insurance policy with a 23 face value of \$100 million, correct?	
17 A Yep.		
18 Q And then it says, "Contributed 19 surplus." Do you have any idea what that refers 20 to?	24 A Right. But I'm sure a premium value of 25 much less than 100, right?	
21 A I don't know.		
22 Q The next page says, "Sentinel 23 Reinsurance, Limited, Supplemental Schedules" as 24 of December 31st, 2016. And the next page shows 25 "Prepaid Expenses and Other Liabilities." Do you		

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1 Q What was the premium value of the 2 policy that had the \$100 million liability, 3 roughly? 4 A I don't know. 5 Q Didn't you previously say you thought 6 it was 70 to 80 million dollars in illiquid 7 assets? 8 A No. I said the amount of illiquid 9 assets were 70 to 80, but I don't know what the 10 premium structure was, like how much of the net 70 11 or 80 was premium. Or -- or, you know, you'd 12 mentioned 110 of asset value, which I never heard 13 before, but maybe the 110 less the premium is how 14 it got to 75 or 80. You know, I don't know the -- 15 I don't know the structure of the policy. 16 Q Why would 70 or 80 million dollars of 17 assets be transferred to Sentinel Reinsurance in 18 connection with the policy other than for a 19 premium payment? 20 A I don't know. I mean, that's what I'm 21 saying. It's -- but the premiums can take 22 different forms, where it's like a first-year 23 premium or future premiums, you know, whatever, 24 you can segment the premiums. Again, I just -- I 25 don't know the structure of the policy, Andy. I	141 1 A Yes. 2 Q -- to justify the \$100 million policy? 3 A Yes. 4 Q But you've made no effort to confirm 5 that he did that; is that true? 6 A Other than talking with my lawyers. 7 Like I said, I haven't prepared or refreshed on 8 the history here. 9 Q Well, as you sit here today, do you 10 recall making any effort to ensure that 11 Mr. Ellington did any sort of market task to 12 ensure that the amount of premium paid for the 13 \$100 million policy was consistent with what a 14 third-party transaction would have required? 15 A Not that I recall at this point. 16 Q Who negotiated on behalf of Highland 17 Financial Partners and its subsidiaries in setting 18 the amount that would be paid for the \$100 million 19 insurance policy? 20 A Scott Ellington. 21 Q Who negotiated on behalf of Sentinel 22 Reinsurance in that transaction? 23 A You know what, before I say Scott 24 Ellington, I -- well, compliance -- I don't know. 25 All I know is, like I said, we had to go through
142 1 don't know the structure. 2 Q Who decided how much premium would be 3 paid for the \$100 million face value policy? 4 A That would have been the process 5 Ellington went through with compliance and with 6 the regulators on what was fair and appropriate 7 for the risk and then what was comparable to 8 third-party transactions. 9 Q Did Mr. Ellington do a market check 10 against third-party transactions in deciding how 11 much premium to pay for the \$100 million face 12 value policy? 13 A I'm sure -- I'm sure that was part of 14 his process and approval in his back-and-forth. 15 I'm sure it was. But I don't have specific 16 awareness. 17 Q Is that because he told you that's what 18 he did? 19 A It's -- that would have been, I would 20 have thought, the starting point -- the logical 21 starting point for discussions with compliance and 22 the regulators, but I don't have awareness. 23 Q So you assumed that Mr. Ellington must 24 have done a third-party check on the amounts of 25 premium that had to be paid --	144 1 compliance, I know we had to work it through the 2 regulators also. And when you're on both sides of 3 the transaction, the scrutiny is higher, but I 4 don't know if -- sometimes organizationally 5 compliance will require somebody to be 6 representing one party and somebody to be 7 representing the other party just to make sure 8 there is some separation. And although Scott 9 Ellington coordinated the overall transaction, I 10 don't know if there was somebody separate 11 representing one side or the other or if he 12 represented both. I don't know, so I shouldn't 13 speculate, but -- but he was the overall architect 14 of the transaction. 15 Q Did Scott Ellington represent all the 16 other parties to the insurance policy other than 17 HFP and its subsidiaries and Sentinel Reinsurance, 18 as far as you know? 19 A "Other parties." I don't know if there 20 were other parties to the core of the transaction. 21 There might have been approvals from some other 22 parties if you're saying there was a DAF note or 23 something else. But I believe if there was any 24 other parties involved, they would have their 25 own -- their approval would be separate. I

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145	<p>1 just -- I can't say for sure Ellington represented 2 both HFP and Sentinel. I can't say for sure. 3 Q You were requested to provide advice 4 about the assets of Sentinel Reinsurance and 5 what -- how to best maximize their value, correct? 6 A Yes -- or, yeah, it would be on the 7 asset side I would get queried periodically on 8 what to invest in. 9 Q Okay. I'm going to flip ahead a few 10 pages of this Exhibit 25 to a page that says, 11 "Sentinel Reinsurance, Limited, Supporting 12 Schedules," as of December 31st, 2016. 13 A Sure. 14 Q And then the next page has some assets. 15 I'm going to blow this up a little bit. There 16 are, it says here, "Sentinel Reinsurance, Limited, 17 Detailed Investment Schedule," as of 18 December 31st, 2016, and there are four CLOs 19 listed on this page, which is Bates labeled with 20 1081 as the last four digits. Do you see that? 21 A Yes. 22 Q And the first one is an asset called 23 "Grayson CLO LTD 144A." Do you see that? 24 A Yes. 25 Q Do you know what that asset is, Grayson</p>	147
146	<p>1 CLO LTD 144A? 2 A I think that was an old CLO that we did 3 in the early 2000 period, and -- yes, that's what 4 it looks like. 5 Q And it said as of that date it had a 6 value of \$1.7 million. Do you see that? 7 A Yep. 8 Q And it had a -- do you know if that 9 asset was ever monetized? 10 A I have no idea. 11 Q Do you know if Sentinel Reinsurance 12 still holds that asset today? 13 A I have no idea. 14 Q Do you have any idea if it was ever 15 sold? 16 A No. 17 Q Would an asset like that generate cash? 18 A It would depend on the year. 19 Generally, yes. 20 Q Do you know if any cash has been 21 generated in connection with the Grayson CLO 22 Limited 144A asset? 23 A Over its life, for sure, but at any 24 given year or any given moment, I don't know. 25 They generally pay quarterly, but sometimes they</p>	148

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<p>1 same security.</p> <p>2 Q The same security. And that security 3 that you had offered previously to either turn 4 over or pay the value to as part of a proposed 5 settlement, is that currently being held by CDO 6 Fund?</p> <p>7 A I don't know where it's being held. I 8 think -- I don't know. I don't know where -- 9 it's -- I think the only reason why it was the 10 only asset hanging around is I think it couldn't 11 be transferred directly, and so I think it might 12 have been transferred indirectly versus a 13 participation letter. I don't know its history or 14 where it is exactly.</p> <p>15 Q Sorry, it couldn't be transferred from 16 whom to whom?</p> <p>17 A It was going to be transferred at some 18 point, somewhere, at some time, and it just -- it 19 couldn't be transferred directly so I think it was 20 transferred indirectly via a participation letter.</p> <p>21 That was my recollection on why the Greenbriar was 22 still sitting somewhere, wherever that was.</p> <p>23 Q What's a participation letter, as you 24 used that term?</p> <p>25 A It's like if you didn't want to sell me</p>	<p>1 asset?</p> <p>2 A I don't believe I ever talked to Seery 3 about Greenbriar at all.</p> <p>4 Q Did you tell any of the directors that 5 the Greenbriar asset was subject to a 6 participation letter?</p> <p>7 A No, I don't think I discussed it with 8 any of them.</p> <p>9 Q Did you discuss that with any of the 10 lawyers at the Pachulski firm?</p> <p>11 A No.</p> <p>12 Q Who was the participate- -- who was the 13 counterparty in that participation letter?</p> <p>14 A I don't know.</p> <p>15 Q If there --</p> <p>16 A If one exists, Scott Ellington will be 17 your person on that.</p> <p>18 Q Anybody else in the world you can think 19 of who would know anything about it, other than 20 Scott Ellington?</p> <p>21 A No.</p> <p>22 Q This is the last page I'm turning to 23 now of Exhibit 25. It's a page entitled "Sentinel 24 Reinsurance, Limited, Intercompany Receivables" as 25 of December 31, 2016. Do you see that?</p>
150	152
<p>1 your house and go through the change of ownership 2 record, redoing a mortgage, whatever, but if you 3 signed a participation letter with me that over 4 the next five years, whatever appreciation of the 5 house would go to me and I would pay the expenses 6 of the mortgage for the next five years, where 7 we're essentially transferring the 8 responsibilities of ownership and you net the 9 differences in flows and price at some later date.</p> <p>10 That's what I thought. That's 11 typically what our participation letter is and 12 that's what I thought was involved in the 13 Greenbriar, but I'm not sure.</p> <p>14 Q Who told you that?</p> <p>15 A Scott Ellington, I believe.</p> <p>16 Q When did he tell you that?</p> <p>17 A I don't know, years ago. Like I said, 18 I think there was always -- there was always some 19 issue with Greenbriar and transferability, I 20 believe.</p> <p>21 Q Did you ever see the supposed 22 participation letter?</p> <p>23 A No.</p> <p>24 Q Did you tell Jim Seery there was a 25 participation letter that affected the Greenbriar</p>	<p>1 A Yes.</p> <p>2 Q And there's relatively small sums that 3 date from November 24th, 2014 through, it looks 4 like, July of 2016, the total about \$114,000. Do 5 you know anything about this?</p> <p>6 A No.</p> <p>7 Q And then it lists some entities at the 8 bottom, Nimitz, Ltd.; Patton, Ltd. Do you know 9 what those entities are?</p> <p>10 A No.</p> <p>11 Q Do you know what SS Holdings is?</p> <p>12 A Nope.</p> <p>13 Q Given this balance sheet -- and I'm 14 going to go back. And I realize this is as of 15 December 2016, but this is being sent -- you can 16 see it's -- going back to the first page, it's 17 being sent August 16, 2017. That was around the 18 time that Sentinel entered into this \$100 million 19 policy that you approved, correct?</p> <p>20 A Yes.</p> <p>21 Q And given the information here about 22 the balance sheet -- and I'm going to go back to 23 the balance sheet page, which ends with Bates 24 number 1071 -- how could Sentinel Reinsurance have 25 ever made good on a \$100 million insurance policy,</p>

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1 given its balance sheet as of December 2016?
 2 MR. TAYLOR: I'm going to object to the
 3 form.
4 A Without going over in detail the policy
5 itself, you couldn't make a negative judgment. So
6 what you have here is two years of very good
7 profitability, very good dividend history, very
8 good earnings history, very good accretion of
9 value. Without knowing the policy itself, the --
10 no insurance company underwrites a policy that
11 they believe has a chance of paying out
12 immediately at full value with no premiums
13 received, you know, so there's -- depending upon
14 the policy structure, there's premiums, there's
15 cushion, there's whatever, and then there's a
16 probability associated with the payout and there's
17 a timing estimate associated with the payout.
18 You can't make a -- I don't believe.
19 You can't make a judgment from this to say what
20 would or wouldn't be a good, plausible investment
21 from here.
 22 Q Do you know -- did you endeavor to make
 23 any assessment about the timing of potential
 24 payments or the likelihood of payments under the
 25 policy or the timing of the premiums or anything

1 like that before you approved the insurance
 2 policy?
3 A That -- that general underwriting and
4 structuring would have been the process that
5 Ellington underwent to make it arm's length and to
6 also make it compliant with compliance and the
7 regulators.
 8 Q And Ellington would have had to go
 9 through that both with your internal compliance
 10 and in some form or fashion to submit to the
 11 regulators; is that correct?
12 A Yes.
 13 Q And do you know -- and the records
 14 showing that that occurred, if they did -- if it
 15 did occur, would it still exist at Highland?
16 A Yes. It -- it occurred, and it was an
17 extensive multi-month process, and there was a lot
18 of back-and-forth.
 19 Q How do you know that?
20 A Because people would talk about it --
 21 Q What people?
22 A -- oh, they're still working on this,
23 they are still going with that, compliance needs
24 this, the regulators want that, they don't
25 understand this, you know, whatever, we're trying

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1 to make this clear. We're going to have to
 2 renegotiate that or renegotiate -- but it was -- it
 3 was an extensive process. It wasn't -- it was
 4 not -- it was not a one-week process. It was a
 5 multiple-month process. I do remember that. It
 6 wasn't easy.

7 Q You've testified many times today that
 8 Scott Ellington was your sole source of
 9 information, and only oral, about anything having
 10 to do with Sentinel, but you just said that many
 11 people were involved in this process.

12 A Well, just in the office, people
 13 reporting -- it was primarily -- it was
 14 probably -- it was primarily Surgent and just
 15 people reporting to him were all running around
 16 for months going back and forth with Ellington and
 17 his group, you know.

18 Q Sorry, Surgent -- Thomas Surgent, who
 19 was then the chief of compliance?

20 A Yes.

21 Q He spent many months analyzing this
 22 transaction?

23 A Yes. The back-and-forth with Ellington
 24 and, like I said, also the offshore regulators,
 25 also.

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 1 Q Okay. But let's stick with the people
 2 at Highland. So Thomas Surgent went back and
 3 forth with Ellington many times over several
 4 months?

5 A Yes.

6 Q And you said many people working with
 7 him. Who specifically worked with Thomas Surgent
 8 assisting in this effort?

9 A See, that's a -- I mean, his area had
 10 people buzzing on this and different people, I
 11 think, sticking their fingers in and whatever, but
 12 I -- beyond the general buzz of his areas and then
 13 to a lesser extent Ellington's area -- I think
 14 Ellington was largely handling it for his area.
 15 But there was a lot of activity. There was a lot
 16 of -- there was a lot of back-and-forth.

17 Q Who specifically other than Tom
 18 Surgent?

19 A I don't know who they were accessing,
 20 and I don't want to speculate on who on their
 21 teams were working with them. But Ellington and
 22 Surgent were both knee-deep in it.

23 Q And did you talk to Surgent at any
 24 point while he was knee-deep in efforts to examine
 25 the propriety of this \$100 million policy?

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1 A No. I mean, I -- no. He's very		1 A Thomas. Thomas. I think he's -- this	
2 capable, very thoughtful. He's a smart -- he's a		2 bankruptcy process and the way people behave in	
3 smart man. He is smart financially even though		3 bankruptcy I think has disappointed him.	
4 his background is more on the legal side. He		4 Q What makes you say that if you haven't	
5 didn't need my help. And, plus, on these kinds of		5 talked to him?	
6 things, it's compliance versus the businessperson.		6 A Well, I just -- from other people who	
7 It's better if I don't get involved.		7 do talk to him.	
8 Q Is Scott Ellington trustworthy, in your		8 Q Who?	
9 opinion?		9 A Well, the guys -- there are still a	
10 A Yes.		10 bunch of guys here that talk to him.	
11 Q Is he honest?		11 Q Who?	
12 A Yes. I think you know that too.		12 A Does it matter? I -- you know.	
13 Q Do you absolutely trust him to handle		13 Q Yeah. Who did you hear from that	
14 this honestly and appropriately?		14 Thomas Surgent feels this way?	
15 A Yes. I mean, and like I said, when I		15 A You know what, I -- let me think about	
16 look at the dividend thing there, those are large		16 it, I'll get back to you. Let me think on it.	
17 dividends, and I'm telling you, I didn't get any.		17 Q No, you just said that you have heard	
18 So, you know, but I don't sit here -- I don't sit		18 these things that Thomas Surgent is feeling. Who	
19 here worried about the fact that the money was		19 did you hear that from?	
20 absconded with. I know there's probably a holding		20 A Yeah, let me think. It's one of a	
21 company or a funding of some other subsidiary or		21 couple people. Let me boil it down and I'll get	
22 something. I know there is an explanation to it.		22 back to you.	
23 I trust there is an explanation to it, but I don't		23 Q Who?	
24 know what it is.		24 A I'll get back to you. I can't remember	
25 Q Is Thomas Surgent trustworthy?	158	25 exactly who.	
1 A Yes. I -- honestly, my experience with			160
2 him over the years is that he was very		1 Q Depositions aren't take-home exams. So	
3 trustworthy. I think he is one of the half dozen		2 as you sit here today --	
4 people whose career has been ruined or corrupted,		3 A Okay, but I'm just going to tell -- I'm	
5 corrupted by Seery in the whole process, and, you		4 just going to leave you, then, with I don't	
6 know, whatever. I think he is more distant and		5 remember.	
7 less focused and less interested. But I still		6 Q Who were you thinking said that when	
8 think he is -- even though I think he is in a very		7 you said it? Who were the two candidates?	
9 difficult situation at the moment, I think he is a		8 MR. TAYLOR: Objection. Form.	
10 trustworthy person.		9 A I --	
11 Q Is Thomas Surgent honest, in your view?		10 Q Who are the two candidates in your mind	
12 A Yes. Although, again, I just have to		11 that might have been the ones who told you that	
13 draw a distinction from -- I haven't talked to him		12 Thomas Surgent was unhappy?	
14 in over a year, and he has been very		13 A I'm not going to go there, Andy.	
15 discombobulated by the bankruptcy process. He was		14 MR. TAYLOR: Andy, he doesn't have to	
16 the one who was negotiating with Redeemer for the		15 speculate.	
17 three weeks before we filed when Mashrum jerked		16 A I'm going to leave it at -- I'm going	
18 him on the 50 million at 7:00 a.m. in the morning		17 to leave it at I don't remember or I'll get back	
19 in Delaware. And so I'm not sure he's recovered		18 to you, if you want.	
20 from that, let alone -- you know, Seery used to		19 Q You said you would get back to me. Who	
21 work for the estate up until about June, and since		20 were the two names that you were thinking of when	
22 then, he has been working for the creditors for --		21 you said that there are people who still talk to	
23 largely for his own payday. And I think he has		22 Surgent?	
24 been disappointed by that also.		23 A Like I said, I don't want to spec- --	
25 Q Sorry, who has been disappointed?		24 it might be three names. I need to chew on it	
		25 some more and think about it but at the moment, I	

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1 don't remember.		1 person by name who has ever told you anything	
2 Q You really have to answer to the best		2 about how Thomas Surgent feels about the	
3 of your ability. So who are the names you were		3 bankruptcy, correct?	
4 thinking of?		4 A Correct.	
5 MR. TAYLOR: Andy, he doesn't have to		5 Q So you have no basis for the assumption	
6 speculate. He says he can't remember. He doesn't		6 that Thomas Surgent feels a certain way about the	
7 have to speculate.		7 bankruptcy as you sit here today, correct?	
8 Q Well, you testified that somebody told		8 A That's -- that's what I was beginning	
9 you something -- well, you testified about what		9 to realize as I was saying it, that I might be	
10 Mr. Surgent feels, and you have not spoken to him		10 overlaying too much of my -- too much of my own	
11 in over a year, correct?		11 views or too much of other people's just general	
12 A That's right. And so think about it.		12 views or just too much -- I might be reading into	
13 It was, you know, multiple people giving multiple		13 too much or connecting too many dots. So I don't	
14 tidbits. I don't want to -- I don't want to		14 want to go any further down that conjecture.	
15 speculate or jump to a conclusion. I'll think		15 Q Okay. Let's close this document,	
16 about it some more, but I can't remember or		16 please, and let's open up the next document that's	
17 attribute it exactly to one person at this moment.		17 behind Tab 6. It will be marked as Exhibit 26.	
18 Q You said there were people who speak to		18 (Deposition Exhibit 26 marked for	
19 Thomas Surgent still. Who are they?		19 identification.)	
20 A Well, I mean, it's most -- most		20 Q Exhibit 26, when it gets put up on the	
21 everybody in senior management still speaks to him		21 screen, will be a one-page document that	
22 so ...		22 identifies entities that are connected to Sentinel	
23 Q Who?		23 Reinsurance. And here we go. We have it up here.	
24 A I mean, just most everybody in senior		24 First of all, it says that "Multi Strat	
25 management still --		25 Credit Fund" -- it identifies Multi Strat Credit	
	162		164
1 Q What are their names?		1 Fund, and it says, "Investor, Sentinel	
2 A -- speak to him.		2 Reinsurance." Do you see that?	
3 You know, you can look up the org		3 A Yes.	
4 chart, Andy. I'm not -- I don't want to speculate		4 Q What does that mean?	
5 or point to anybody in particular at this point.		5 A I've never seen this -- I've never seen	
6 You know, and really, really part of the reason,		6 this page before. Or I've never seen this paper	
7 too, as I was thinking before -- before I would		7 before.	
8 speculate or attribute it to one person, I was		8 MR. TAYLOR: You don't have to	
9 going through it in my mind, like, okay, how much		9 speculate.	
10 of it is my perception, maybe being a little		10 Q Well, do you know whether or not	
11 sensitive to everything he's been through, and		11 Sentinel Reinsurance, Limited is an investor in	
12 then how much of it is did someone truly say, and		12 Multi Strat Credit Fund LP?	
13 then how much did maybe somebody else put their		13 A I don't know.	
14 own spin on it.		14 Q In fact, you have seen recently	
15 And I just don't want -- I don't want		15 documents that show you that Sentinel Reinsurance	
16 to go down the --		16 is a redeemer in Multi Strat; isn't that true?	
17 Q As you sit here today, you can't		17 A I'm trying to -- what documents have I	
18 identify a single person who has told you anything		18 seen? And I'm willing to be refreshed on that.	
19 about how Thomas Surgent feels in 2021; is that		19 Yeah, I'm willing to be refreshed on that.	
20 correct?		20 Q You are aware, as you sit here today,	
21 A That's correct. It would be best to		21 that Sentinel Reinsurance is a redeemer in Multi	
22 talk to him about it. And, you know, you can --		22 Strat, correct?	
23 it would be best to talk to him.		23 A Okay, I'm willing to be refreshed.	
24 Q And as you sit here today, you can't		24 That sounds -- that sounds plausible, potentially	
25 think of one person -- you can't identify one		25 familiar. If -- do you have a redeemer listing	

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1 you could show me that Multi Strat is?		1 is an entity that Scott Ellington is the	
2 Q We'll get to that, but I just -- you're		2 beneficial owner of?	
3 a 70 percent owner of Sentinel Reinsurance and		3 A Yeah, I mean, it looks like it. And in	
4 there has been a lot of discussion in the last few		4 the detail -- the detail below looks like those	
5 months about Multi Strat and the redemption and		5 are the names of the entities that have the	
6 potential settlements. And it's fair to say that		6 beneficial ownership. That's what this appears to	
7 you are aware that Sentinel Reinsurance is a --		7 be.	
8 one of the redeemers of Multi Strat Credit Fund,		8 Q So as you sit here today, you have no	
9 correct?		9 reason to dispute the fact that you own an entity	
10 MR. TAYLOR: He's answered that, and he		10 called Patton, Limited that, in turn, is a	
11 said he is willing to be --		11 70 percent beneficial owner of Sentinel	
12 MR. CLUBOK: That's okay. It's okay.		12 Reinsurance; is that correct?	
13 MR. TAYLOR: -- refreshed.		13 A I have no reason to know otherwise. I	
14 MR. CLUBOK: You don't need to have a		14 have no reason to dispute that.	
15 speaking objection.		15 Q And you have no reason to dispute that	
16 Q But Mr. Dondero, it's correct that over		16 Scott Ellington is the beneficial owner of Nimitz,	
17 the last few months you have seen information that		17 which, in turn, is a 30 percent beneficial owner	
18 demonstrates to you that Sentinel Reinsurance is a		18 in Sentinel Reinsurance, correct?	
19 redeemer in Multi Strat Credit Fund, correct?		19 A Correct.	
20 MR. TAYLOR: Objection as to the form		20 Q Let's -- did you tell anyone at	
21 and it's been asked and answered.		21 Highland Capital Management ever that you were a	
22 A I'm willing to be refreshed. And that		22 70 percent owner in Sentinel Reinsurance other	
23 sounds, like I said, plausible and possible.		23 than Scott Ellington?	
24 Q It's not just plausible and possible.		24 A Not that I -- not that I remember, not	
25 As you sit here today, you know that Sentinel		25 that I recall.	
	166		168
1 Reinsurance is one of the redeemers in		1 Q Do you know what Mainspring, Limited	
2 Multi-Strat; isn't that true?		2 is?	
3 A Yeah, I'm trying to remember. It's		3 A No. I'm willing to be educated, but	
4 like they were an investor. Did they redeem, or		4 no, I don't.	
5 are they a separate, you know, non-redeemed		5 Q Why didn't you tell anyone connected	
6 investor, or is some of it split -- I'm willing to		6 with Highland, other than Scott Ellington, that	
7 be educated. I just can't remember the form of		7 you were a 70 percent beneficial owner in Sentinel	
8 their investment.		8 Reinsurance?	
9 Q Okay. And on this document that's been		9 A It never came up or no one ever asked.	
10 marked as Exhibit 26 it talks about Patton,		10 Q When you approved the \$100 million	
11 Limited being a 70 percent beneficial owner. Do		11 insurance policy, did you ever make an effort to	
12 you see that?		12 ensure that Thomas Surgent knew that you were a	
13 A Yes.		13 70 percent beneficial owner in Sentinel	
14 Q Is it true that Patton, Limited is an		14 Reinsurance?	
15 entity that you have the beneficial ownership		15 A I'm 100 percent certain that Thomas, in	
16 interest in?		16 his team in his process, knew that.	
17 A Well, I think I mentioned earlier I		17 Q How?	
18 know that I'm a 70 percent beneficial owner of		18 A He would have -- he would have never	
19 Sentinel. I never knew the name of the entity,		19 proved it otherwise, and, again, he was asked to	
20 and if you're telling me the entity is Patton,		20 prove it because it was two entities related,	
21 Limited, and it does resemble 70 percent, I --		21 controlled -- whatever the thresholds are for	
22 okay, I'm willing to be educated on that, but I		22 properly running something through compliance that	
23 didn't know the name before, but I still don't		23 Ellington was doing, there's no way you would get	
24 know the name now.		24 through compliance without disclosing fulsomely,	
25 Q Okay. Do you know that Nimitz, Limited		25 completely and transparently what the overlaps	

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1 **were.**2 Q You're assuming all that because that's
3 the only way it could have been done properly,
4 correct?5 **A It's the only way it would have been
6 done at all.**7 Q Okay. But you didn't see that
8 disclosure, you don't have any firsthand knowledge
9 of that disclosure occurring, you know nothing
10 about that supposed disclosure other than what
11 you're assuming happened, correct?12 **A Yeah, but again, if you go back to
13 Dodd-Frank and the personal liability put in for
14 chief compliance officers and the elevation of
15 chief compliance officers to the C-suite, it would
16 be a -- to do it haphazardly or to do it without
17 doing that or knowing that would be a violation of
18 compliance and regulations, and he would
19 knowingly -- he would be knowingly putting himself
20 in harm's way or liability if he were to do it
21 without understanding and knowing the players.**22 Q And so would you. You would also have
23 that same liability under Dodd-Frank that you just
24 described that Mr. Surgent would have, given your
25 road, correct?170 1 **A That's right. That's why I don't do it
2 without doing it correctly.**3 Q So if you didn't ensure that it was
4 known that Sentinel Reinsurance was an affiliated
5 entity, there would be a big problem, correct?6 **A Well, yeah, I mean -- yes, I guess,
7 yes, but there is no reason why it would have
8 been -- if it was going to be obfuscated, it
9 wouldn't have been pushed through compliance. It
10 was pushed through compliance because we were
11 being correctly transparent about it.**12 Q And that responsibility for ensuring
13 that it was known that Sentinel Reinsurance was an
14 affiliated entity also fell to Scott Ellington in
15 addition to you and Mr. Surgent, correct?16 **A Yes.**17 Q And if Mr. Ellington obfuscated the
18 fact that Sentinel Reinsurance was an affiliated
19 entity, that would be a big problem, right?20 **A Yes. But you're missing the point. If
21 they -- if Ellington was going to do an insurance
22 policy with Aon or Chubb or some third party, he
23 could have done it unilaterally in 10 minutes
24 without ever mentioning a word of it to
25 compliance. If he was going to obfuscate the**171 1 **ownership or the control of Sentinel, he would
2 have never run it through compliance. The only
3 reason to take a transaction like this through
4 compliance is because you're being honest and
5 forthright about the overlap.**6 Q And if you didn't run it through
7 compliance honestly and forthrightly, that would
8 be a huge problem, correct?9 **A If he didn't run it through compliance
10 at all, yes.**11 Q And if he didn't fully disclose to
12 compliance the nature of the affiliation of
13 Sentinel Reinsurance, that would be a huge
14 problem, correct?15 **A Yeah, but it goes back to my testimony
16 that I don't think that would be possible.**17 Q Understood. But you have not seen any
18 documents -- you have never seen a document, not a
19 single document that shows Mr. Surgent and the
20 compliance team being made aware that Sentinel
21 Reinsurance was an affiliated entity; is that
22 correct?23 **A Yes. I wasn't involved in the process.
24 But, again, it's not plausible to go to compliance
25 and say, I have a transaction you need to approve**172 1 **because there's overlap, but I'm not going to tell
2 you what the overlap is. Sign off on it. There
3 is just no chance of that happening.**4 Q If Mr. Ellington had not done that,
5 that would be a huge problem, correct?6 **A Yeah, there would have to be some facts
7 and circumstances that I don't understand.**8 Q Okay, let's look at -- let's look at
9 Tab 7A. Tab 7A is an exhibit that will be marked
10 as Exhibit 27.11 (Deposition Exhibit 27 marked for
12 identification.)13 Q It will take a minute to -- oh, that
14 was fast.15 Let me try to make it a little bit more
16 sized properly so you can see it, hopefully.17 Exhibit 27 is an e-mail from you at
18 your JDondro@HighlandCapital.com e-mail address
19 to Tim Cournoyer, also at a HighlandCapital.com --20 **A Yes.**21 Q -- address; Subject: Re: Consent of
22 Managers - SeaOne Holdings LLC, dated January
23 2019.

24 Do you see that?

25 **A Yes.**

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	173		175
1	Q Who is Tim Cournoyer?	1	Dugaboy's signature."
2	A He is one of the -- he was one of the	2	And in response to that you say you
3	internal lawyers at Highland on the corporate	3	approve the waiver and are moving forward.
4	side, generally, who didn't come over to the new	4	Do you see that?
5	entities over here but still works for Seery at	5	A Yes.
6	Highland.	6	Q Do you remember this transaction?
7	Q Is he honest?	7	A Yes. I mean, generally, yes.
8	A I don't know Tim as well. I don't	8	Q Describe what you know about it.
9	know -- I can't -- I don't have -- I don't know	9	A SeaOne was a venture capital
10	him as well to have a strong opinion.	10	investment. The former CEO of EOG had come up
11	Q Okay. And in this e-mail at the top of	11	with a more creative way to ship natural gas
12	the chain you say, "Yes, I approve waiver and	12	around the world using -- essentially making a
13	moving forward." Do you see that?	13	radiator out of a 42-inch pipeline. It's much
14	A Yes.	14	better, it's much more efficient, much cheaper
15	Q Do you remember this exchange?	15	than LNG, but it's taking two or three times as
16	A Not specifically, but I can be -- can	16	long, as everybody expected, to get any kind of
17	you enlarge this a little bit? I can be	17	industry buy-in, so they were frequently doing
18	refreshed, I believe.	18	19 additional capital raises. Some of them were
19	Q Yeah, I'm going to enlarge the e-mail	19	offensive and some of them were defensive.
20	that immediately precedes that to which you're	20	We were an early investor -- an earlier
21	responding to. And the e-mail that you say, "Yes,	21	investor in SeaOne so we had the ability to
22	I approve waiver and moving forward" is a response	22	participate in rights offerings or block any
23	to an e-mail that Mr. Cournoyer -- how do you	23	defensive rights offerings. We just had some
24	pronounce that name?	24	shareholder protections as an earlier investor.
25	A Cournin (phonetic) I think is how you	25	And what this back-and-forth here is,
	174		176
1	pronounce it.	1	you know, to allow the additional financing to
2	Q How?	2	occur at the company, we had to waive some of our
3	A Cournin. I would have said Tim	3	rights.
4	Cournin.	4	Q Okay. And you were the decision maker
5	Q Cournin with an "N"?	5	for Dugaboy's decision to participate in the new
6	A Yes.	6	offering?
7	Q So the O-Y-E-R is silent?	7	A Yeah, I want to be careful here. You
8	A Yeah, I think so.	8	know, Dugaboy has its own trustee. Sentinel has
9	Q Okay. The person that you call Tim	9	its own management. But I was on the board of
10	Cournin sent you an e-mail at 7:10 p.m. on	10	SeaOne, and I was the resident expert as far as
11	January 29th, and it looks like you respond that	11	SeaOne was concerned. So for decisions involving
12	same day, although the time stamp is curious.	12	the credit, people would rely on my expertise as
13	Maybe it's a time zone issue. But in any event,	13	regarding SeaOne.
14	Mr. Cournin, as you say, said, "Jim, I reviewed	14	And that's what -- that's what Tim is
15	the documents that were sent over and left two	15	asking for at the bottom of the letter with the
16	voice mails with Brian Brantley at the Company but	16	underline, you know, so I'll go forward, you know,
17	18 have not heard back."	17	and make that specific recommendation to the
18	And he goes on to explain how "Each of	18	19 various funds that own it. And he was just going
19	Dugaboy and Sentinel have a preemptive right to	19	through the mechanisms, the signature mechanisms.
20	participate in the new offering." And he said,	20	Q You don't say you're going to make a
21	Please confirm that you are okay waiving the	21	recommendation to the various funds. You say you
22	right to participate in this round. If you	22	approve the waiver and moving forward. Do you see
23	23 that?	23	24 that?
24	Q Please confirm," and he "will work with	24	A Yes.
25	Tara/Sue/Melissa to use your e-signature for the	25	Q So you didn't have to go check with

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1 anyone. You just had the authority to approve the
 2 waiver on behalf of both Sentinel and Dugaboy,
 3 correct?

4 **A No, I'm not saying that. I approved**
 5 **the waiver and the concept of the waiver, but,**
 6 **again, I'm acting as the investment professional**
 7 **on this particular investment. It doesn't give me**
 8 **carte blanche on the funds that they're in -- that**
 9 **those investments are in.**

10 Q I didn't ask that. My question is,
 11 specifically with this transaction, you believed
 12 that you had the authority to approve the waiver
 13 of the right to participate in that new offering
 14 on behalf of both Sentinel and Dugaboy, correct?

15 **A No. I approve, meaning I agree. You**
 16 **know, that's why I always use "I approve" -- from**
 17 **board positions or from senior lead, because it**
 18 **says I approve or I agree with the waiver. But to**
 19 **the extent that it's investment advice and there**
 20 **is no reason for a trustee to second-guess me,**
 21 **they would trust my investment advice, and that's**
 22 **what Tim is parlaying to the funds themselves at**
 23 **the bottom of the thing there, but just because I**
 24 **approve of the waiver doesn't give me broad**
 25 **authority at independent entities.**

178 1 Q Right, but you didn't -- you just
 2 responded to Tim's e-mail. You didn't check with
 3 anyone before responding. Correct?

4 **A Well --**

5 Q Let me break this up. You have never
 6 spoken to a director of Sentinel, as far as you
 7 know, correct?

8 **A That's -- that's correct.**

9 Q So you didn't check in with the
 10 directors of Sentinel before you told Tim that you
 11 were okay waiving the right to participate in this
 12 round on behalf of Sentinel, correct?

13 **A That's correct. But that's typical.**
 14 **If you're the investment manager -- like we were**
 15 **saying before, we do portfolios of bank loans.**
 16 **Companies need amendments all the time. That**
 17 **would be part of the normal investment process.**
 18 **We wouldn't call separate accounts or managements**
 19 **at CalPERS to tell them, you know, we were**
 20 **approving an amendment at Caesar's or Toys-R-Us or**
 21 **something.**

22 MR. CLUBOK: So move to strike
 23 everything after 'that's correct'.

24 Q My simple question to you is, for this
 25 transaction, you had the right to approve it

179 1 without checking with the Sentinel directors;
 2 isn't that true?

3 MR. TAYLOR: Objection. Form.
 4 **A I have no comment on that. I was just**
 5 **approving the company's -- the reasonableness of**
 6 **the company's amendment request.**

7 Q I'm going down the e-mail chain here,
 8 and it started with, it looks like, an e-mail from
 9 Bart Baker of SeaOne Holdings to you that sought a
 10 consent of managers for SeaOne Holdings related to
 11 the continuation of the capital raise of that
 12 company, and they asked you to sign the signature
 13 page. Do you see that?

14 **A Yes.**

15 Q And you then forwarded that to Tim --

16 **A Cournin.**

17 Q -- Tim Cournin, as you call him, right?

18 **A Yes.**

19 Q And Tim said he reviewed the documents
 20 and he left voice mails with Brian Brantley and
 21 then he explained the transaction and he notes
 22 about these preemptive rights that Dugaboy and
 23 Sentinel have, and asked you to confirm that you
 24 were okay waiving the rights to participate in
 25 this round on behalf of Sentinel and Dugaboy,

180 1 correct?

2 **A Yes, overall. And you can see I --**
 3 **again, I'm approving it in general from a business**
 4 **perspective. That's what it says, "Yes, I approve**
 5 **the waiver and moving forward."**

6 Q Okay. And you made that statement
 7 without checking in with any director of Sentinel,
 8 correct?

9 MR. TAYLOR: Objection. Asked and
 10 answered.

11 **A Yeah, correct. I didn't talk to any of**
 12 **the -- I didn't, nor would I have, in normal**
 13 **course, expected to for any accounts that we**
 14 **manage.**

15 Q And you didn't speak to anyone at
 16 Dugaboy either before telling Tim that you
 17 approved of the waiver on behalf of Dugaboy,
 18 correct?

19 **A That's correct.**

20 Q And by the way, previously you said
 21 that in addition to satisfying internal
 22 compliance, you also had to satisfy regulators for
 23 the insurance policy that was issued?

24 **A Yes.**

25 Q What specific regulators are you

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	181		183
1 talking about?		1 making up for it in growth," you're basing that	
2 A The Cayman reinsurance regulators do		2 solely on the fact that this \$100 million policy	
3 some of the analysis and underwriting that you		3 was issued and no other information that you have,	
4 were speaking of earlier in terms of making sure		4 correct?	
5 the structure, the potential paths, and the		5 A I haven't seen the financials for '17	
6 premiums and the assumptions and the probabilities		6 or '18, so I don't know what else they were doing.	
7 are reasonable also, especially if it is an		7 Q Well, you just said, "it looks like	
8 outsized policy for a company or if the company is		8 they were making up for it in growth in 2017."	
9 in a high-growth state, which Sentinel was. And		9 A Well, yeah, based on -- based on what	
10 so that's why I know Ellington was in		10 you have been telling me, the policy was done in	
11 contemporaneous discussions with them at the same		11 August of '17 and it was a larger policy.	
12 time he was getting the transaction through		12 Q When you say "it looks like they were	
13 compliance.		13 making up for their lack of growth in 2016,"	
14 Q So, first of all, this was an outsized		14 you're solely basing that on the issuance of this	
15 policy, given Sentinel Re's history, correct?		15 \$100 million policy and nothing else that you're	
16 A I mean, it's outsized or larger than		16 aware of as you sit here today, correct?	
17 what they had done historically.		17 A That's right. I haven't seen the '17	
18 Q And, second of all, Sentinel Re, based		18 or the '18 or '19 or '20 financials.	
19 on the financial statements, we showed was not in		19 Q Okay. But you have seen financials	
20 the high growth, but they were actually		20 that show you they contracted from 2016 as	
21 contracting 2016 as compared to 2015; isn't that		21 compared to 2015, correct?	
22 right?		22 A Yes.	
23 A No. No, they were growing on all		23 MR. CLUBOK: Let's put up Exhibit --	
24 measures. Their capital just shrunk because of		24 the document that is behind Tab 8. It will be	
25 the dividends.		25 marked as Exhibit 28.	
	182		184
1 Q Well, their pretax income was shrinking		1 (Deposition Exhibit 28 marked for	
2 from 2016 versus 2015, right?		2 identification.)	
3 A Okay, all right. Yes, okay.		3 Q This document, when it gets up, is an	
4 Q And their balance sheet shrunk between		4 e-mail from Katie Irving to Sam Dawson, Dylan	
5 2016 as compared to 2015, right?		5 Wiltermuth, copy J.P. Sevilla and Matt DiOrio;	
6 A Okay, yes, but they are still in the		6 Subject: Entity restructure - Sentinel, and it's	
7 high growth mode.		7 dated April 10th, 2019.	
8 Q What was one measure that they were		8 I'll show you the top of that document	
9 growing in in 2016 compared to 2015 if it's not		9 so you can see that. Do you see all that at the	
10 balance sheet, income, capital? Name one measure		10 top of Exhibit 28?	
11 that causes you to say that they were high growth?		11 A Yes.	
12 A There's an effort in futzrah, footnote		12 Q Okay. I'm going to skip the e-mail	
13 on page 7.		13 part, but I just want to -- there is an attachment	
14 MR. TAYLOR: Andy, if you're going to		14 here that says "SAS" and "Sentinel Final Structure	
15 ask him about a document, I would ask that you put		15 as of 9 April 2019, a PowerPoint." And that	
16 it up in front of him.		16 attachment, I'm flipping down, it's a -- the first	
17 Q There was a footnote on page 7 of what		17 attachment, which is the structure -- "Offshore	
18 document?		18 Fund Structure" of SAS, is on the page that ends	
19 A I'm joking. I'm joking, Andy. I said		19 Bates labeled 3125 of Exhibit 28.	
20 it was an effort in futzrah, chutzpah, footnote on		20 Do you see that?	
21 page 7. But no, I mean, it was -- that was the		21 A Yes.	
22 ambition and that was the plan. If it hit a lull		22 Q And I'm going to try to make it so it's	
23 in 2016, it looks like they were making up for it		23 as easy as possible to read. First of all, this	
24 in growth in 2017.		24 is an SAS structure not Sentinel, SAS. And do you	
25 Q When you say "it looks like they were		25 see where it talks about "USP1," "four USPs" and	

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	185		187
1 then "USP2" on the right?		1 chart, you get to where it says "70 percent" value	
2 A Yes.		2 for Sentinel Re at the bottom?	
3 Q Fair to say that you are one of these		3 A Yes.	
4 USPs?		4 Q And USP1 goes down, and there is	
5 A No, it's not fair to say. I have no		5 30 percent value. Do you see that?	
6 idea.		6 A Yep.	
7 Q You have no idea. Okay.		7 Q And fair to say that under this chart	
8 Do you recognize any of the names on		8 Mr. Ellington is USP1 and you are USP2?	
9 this org chart for SAS structure as of April 9,		9 A I don't know, and I haven't seen this	
10 2019?		10 before.	
11 A No, I do not.		11 Q Are there any other U.S. partners	
12 Q Have you ever heard of Sebastian		12 invested in Sentinel, other than you and	
13 Clarke, Limited?		13 Mr. Ellington, to your knowledge?	
14 A No.		14 A I've never seen this before. I don't	
15 Q Did you know that Matt DiOrio was a		15 have an awareness of this, that even USP means	
16 director of Sentinel Reinsurance?		16 U.S. partner.	
17 A I did not.		17 Q Okay. But you are -- you do have an	
18 Q Did you ever speak with Matt DiOrio		18 awareness that Patton was an entity that you owned	
19 about Sentinel Reinsurance?		19 70 percent of Sentinel Re through, correct?	
20 A No.		20 MR. TAYLOR: Objection. Form.	
21 Q Did you -- did you ever speak to Matt		21 A If that's the same Patton as the one	
22 DiOrio in the last two years?		22 that we saw in the Sentinel structure.	
23 A I spoke to him a month ago. He was the		23 Q Okay. And you're saying, as you sit	
24 point person on some of the shared services		24 here today, you believe you have no relationship	
25 agreements with the bank, and so I was working		25 whatsoever with SAS?	
1 with him on those.	186	1 A This is the first time I've seen	188
2 Q Is he working with you at your new		2 this -- can you go back to the page before for a	
3 venture?		3 second?	
4 A He is at -- yeah, he works at whatever		4 (Witness reviewing document.)	
5 it's called, SkyBridge, SkyGate, whatever,		5 A Even looking at this, I can't figure	
6 whatever it's called.		6 this out. Do we get these exhibits as part of the	
7 Q So he has an office in the same		7 deposition?	
8 building, although on a different floor, than the		8 Q I don't know. Why do you ask?	
9 building you're sitting in today?		9 A I'd like to spend more time looking at	
10 A Yes.		10 this.	
11 Q Have you ever talked to Matt DiOrio		11 Q Well, as you sit here today, are you	
12 about SAS?		12 aware -- are you testifying that as far as you	
13 A No.		13 know, you have no connection whatsoever to SAS?	
14 Q I'm going to turn to the next page.		14 A I mean, that's how I understood it,	
15 The next page in this document, Exhibit 28, is		15 which is it looks like this was the older	
16 another chart, and this is for the Sentinel		16 structure. I mean, I'm trying to -- I'm trying to	
17 structure as of April 9, 2019. Do you see that?		17 figure this out and it's --	
18 A Yes.		18 Q How do you know it is the older	
19 Q Now, here you are USP2, correct?		19 structure?	
20 A I've never seen this before. I don't		20 A Well, because that's how it was	
21 know if you can make that statement just from --		21 presented and that's as of '19, and you have got a	
22 the Patton, Limited, I guess, is the same Patton		22 proposed structure a page later, right?	
23 on the other page, but I don't know how that		23 Q Oh, no, no, this is "SAS Structure" and	
24 connects to USP2.		24 the next page is "Sentinel Structure."	
25 Q Well, when you go down USP2, down this		25 A Right, but isn't the next structure a	

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	189		191
1 combination of the two or no?		1 Q By the way, on the chart for Sentinel,	
2 Q No. It's -- well, yes, it looks		2 it shows that you have a 70 percent value, but it	
3 like -- ah, it look like SAS Holdings is involved		3 says 91 percent vote. Do you see that?	
4 somehow in Sentinel. Actually, now that you		4 A Yes.	
5 mention it, it looks like SAS Holdings is somehow		5 Q Do you know why you have a greater	
6 connected. Does any of that ring a bell with you?		6 voting share than your economic benefit in	
7 A No, none of this rings a bell. I		7 Sentinel as it's set forth in this chart?	
8 didn't know it was restructured, and I can't make		8 A No. Like I said, that's why I can't	
9 heads of tails out of the prior restructuring.		9 make heads or tails of this. Like I can't --	
10 But hold on a second. So in a day or two when we		10 like, look a little further right, where it's	
11 get the deposition transcript, aren't the exhibits		11 99 percent of value, 1 percent of the vote. I	
12 included or no?		12 can't -- I can't seem to add up the value numbers	
13 MR. TAYLOR: They are.		13 or the vote numbers. I must be missing something.	
14 THE WITNESS: They are. Okay, good.		14 I couldn't do it on this chart or the other chart.	
15 All right.		15 That's why I would like to review them in more	
16 Q It may be.		16 detail.	
17 A Yeah, Clay is saying they are. I just		17 Q Yeah, but as you sit here today, are	
18 want to be able to look at this in more detail		18 you aware generally that you have a greater voting	
19 then.		19 interest in Sentinel than you do an economic	
20 MR. TAYLOR: Andy, is this a Highland		20 interest?	
21 Capital document?		21 A No, I would have guessed it was 70/30	
22 MR. CLUBOK: It is a Highland Capital		22 for both.	
23 document produced by Highland Capital, Bates		23 Q Was there a law firm that helped you	
24 labeled.		24 set up Sentinel Reinsurance, that you're aware of?	
25 Q So as you sit here today, having seen		25 A I do not know.	
	190		192
1 this, as far as you know, you're not aware of any		1 Q Was there ever an analysis done, to	
2 connection you had with SAS; is that correct?		2 your knowledge, of how much Sentinel Reinsurance	
3 A I thought the ownership of SAS was --		3 would owe if UBS's trial court decision was	
4 didn't flow through to Scott and I. I thought		4 upheld?	
5 there was some fee, some profitability sharing		5 MR. TAYLOR: I'm just going to object	
6 potentially, but I thought the ownership was owned		6 to form.	
7 by some -- to avoid operating a business offshore,		7 A I don't know.	
8 sometimes I think there's charitable entities and		8 Q Do you know how much total payout there	
9 stuff that are the owner for name purposes, and		9 has been from the insurance policy for any of the	
10 that's how I thought SAS was structured, where if		10 purposes that you said that the policy was set up	
11 there -- it would be possible to get some		11 for?	
12 incentives or compensation out of it but that the		12 A I do not know.	
13 ownership wasn't with Scott and I. That was my		13 MR. CLUBOK: I think this is a good	
14 memory, but, you know --		14 time to take a break.	
15 Q Okay. But you believe that you had		15 MR. TAYLOR: That's good. So we have	
16 some economic interest in SAS; is that correct?		16 to take another one at 6:00. Let's go off the	
17 A You know, potentially, you know, but --		17 record.	
18 I mean, but as far as I know, there hadn't been a		18 THE VIDEOGRAPHER: Off record. 6:03.	
19 lot of realizations there.		19 (A recess was taken.)	
20 Q Have you ever received any economic		20 THE VIDEOGRAPHER: On record. 6:24.	
21 benefit from SAS, as far as you know?		21 BY MR. CLUBOK:	
22 A No, I have not.		22 Q Mr. Dondero, we're going to show you	
23 Q Has Scott Ellington, as far as you		23 what's previously been marked as Exhibit 1. It is	
24 know?		24 an e-mail from Isaac Leventon to Chris Dunn,	
25 A As far as I know, no.		25 D-U-N-N, dated October 26, 2017, with an	

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	193		195
1 attachment called UBS_ATE.PDF.		1 Do you see that?	
2 Do you see that?		2 A Yes.	
3 A Yes.		3 Q And that's your signature, correct?	
4 Q And Mr. Leventon said -- first of all,		4 A Yeah, or my assistant's, it looks like.	
5 who is Chris Dunn?		5 It is either my signature or my assistant's.	
6 A I believe he is one of the accountants		6 Q Well, it's an authorized signature by	
7 who used to work at Highland.		7 you, correct?	
8 Q Okay. And does he work with you now?		8 A Yes.	
9 A I don't believe so. I don't recognize		9 Q And that's on behalf of one of the	
10 that name.		10 insureds, Highland CDO Opportunity Master Fund,	
11 Q And Mr. Leventon says to Mr. Dunn --		11 LP, correct?	
12 "Subject: UBS - PRIVILEGED." Do you see that?		12 A Yeah. Do you want me to read the	
13 A Yes.		13 signature lines? You'll need to zoom in for me.	
14 Q And he says, "Please see attached.		14 But whoever it's signed for, it's signed for, I	
15 Please label all communications related to this		15 guess.	
16 project as Privileged as all documents are being		16 Q Okay. And it's also signed on behalf	
17 requested of the Legal Team."		17 of Highland CDO Hold Company, correct?	
18 Do you see that?		18 A Highland CDO Holding Company, yes.	
19 A Yes.		19 Q And again, you signed on behalf of	
20 Q And just scrolling down, there's		20 Highland CDO Holding Company as another one of the	
21 nothing else in the cover e-mail, and I'm going to		21 insureds under the policy, correct?	
22 show -- and I take it you have never seen this		22 A I don't know what the involvement is of	
23 e-mail before?		23 the different entities, if they're all the insured	
24 A No. No, I have not.		24 or they're just somehow -- somehow involved in the	
25 Q Okay. So I'm going to show you the		25 agreement, but yes, I'm signing for those various	
	194		196
1 attachment and see if it refreshes your		1 different funds.	
2 recollection. Let me get this a little bit		2 Q Well, so you sign this document on	
3 smaller here.		3 behalf of Highland CDO Opportunity Master Fund,	
4 This is a document -- the attachment is		4 LP, correct?	
5 the legal liability insurance policy that we have		5 A Yes.	
6 been talking about today. This is the first page		6 Q And you sign this document on behalf of	
7 of it, where it's called "Legal Liability		7 Highland CDO Holding Company, correct?	
8 Insurance Policy" in blue letters on the first		8 A Yes.	
9 page.		9 Q And you sign on behalf of Highland	
10 Do you see that?		10 Special Opportunities Holding Company, correct?	
11 A Yes.		11 A Yes.	
12 Q And I want to go -- I'm going to go		12 Q And you were the sole director of SOHC	
13 through some of the policy with you. I'm going to		13 at the time, right?	
14 flip first to the very end, the last page, the		14 A I -- I -- probably. I don't know.	
15 signature page. And do you see where it says		15 Q And you were the sole director of	
16 "Insurer: Sentinel Reinsurance, Limited," and it		16 Highland CDO Holding Company at the time, correct?	
17 says, "Andrew Dean, Director"?		17 A I don't know.	
18 A Yep.		18 Q Do you know -- can you name another	
19 Q And then do you see where it says		19 director of Highland CDO Holding Company?	
20 "Insureds," and the first insured is Highland CDO		20 A No.	
21 Opportunity Master Fund, LP. And it says that you		21 Q And you were -- it says you were	
22 are signing on behalf of CDO Opportunity Master		22 president. Is that president of Highland CDO	
23 Fund by CDO Opportunity Fund, by CDO Opportunity		23 Opportunity Master Fund, LP?	
24 GP, by Highland Capital Management and by Strand		24 A I don't know.	
25 Advisors.		25 Q Or is it president of Strand Advisors?	

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	197		199
1 A I don't know.		1 when making the decision to sign on SOHC's behalf?	
2 Q Were you president of Strand Advisors		2 A I don't know. I don't remember.	
3 at that time?		3 Q Did you believe at the time you signed	
4 A Yes, I would have been. Yeah, if it		4 this document you had fiduciary duties to Highland	
5 had a president, yes.		5 CDO Holding Company?	
6 Q In August of 2017, did you have		6 A I don't know. I don't remember.	
7 authority to sign a document like this on behalf		7 Q At the time you signed this document,	
8 of Strand Advisors?		8 did you have fiduciary duties to Highland CDO	
9 A I assume so.		9 Opportunity Master Fund that you took into account	
10 Q And in August of 2017, did you have		10 before you signed it?	
11 authority to sign a document like this on behalf		11 A I don't know. I don't remember.	
12 of Highland Capital Management?		12 Q Do you believe that you had any -- in	
13 A I assume so.		13 August of 2017 the UBS litigation was still going	
14 Q In August 2017 did you have authority		14 on, correct?	
15 to sign a document like this on behalf of Highland		15 A I think I testified I believe it was	
16 CDO Opportunity GP, LLC?		16 dormant.	
17 A I believe so.		17 Q Well, in fact, in August of 2017 UBS	
18 Q In August of 2017 did you have		18 had just defeated Highland and the other	
19 authority to sign the insurance policy on behalf		19 defendants' motion for summary judgment; isn't	
20 of Highland CDO Opportunity Fund GP?		20 that true?	
21 A I believe so.		21 A Like I said, I don't know. My belief	
22 Q In August of 2017 did you have the		22 was it was dormant.	
23 authority to sign the insurance policy on behalf		23 Q Did you believe that you had any	
24 of Highland CDO Opportunity Master Fund, LP?		24 fiduciary duties to consider to UBS, as a	
25 A I believe so.		25 potential creditor of SOHC and CDO Fund, when you	
	198		200
1 Q In August of 2017 did you have the		1 signed this document in August of 2017?	
2 authority to sign on behalf of Highland CDO		2 MR. TAYLOR: Objection. Form.	
3 Holding Company?		3 Q Okay. I'm going to break it down. In	
4 A I believe so.		4 August of 2017, did you believe that you owed any	
5 Q And fair to say that in August of 2017		5 fiduciary duties at all to UBS as a creditor or	
6 you had the authority to sign off on this		6 potential creditor of Highland Special	
7 insurance policy on behalf of Highland Special		7 Opportunities Holding Company?	
8 Opportunities Holding Company, correct?		8 A I-- I do not -- I do not believe or	
9 A I believe so.		9 recall believing that I had any fiduciary	
10 Q And before you signed off on this		10 responsibility to UBS.	
11 \$100 million insurance policy, did you take care		11 Q With respect to its status as a	
12 to familiarize yourself with the terms of it?		12 creditor or potential creditor of SOHC, correct?	
13 A No.		13 A Yes.	
14 Q Did you have a fiduciary duty at the		14 Q And the same answer for Highland CDO	
15 time to Highland Special Opportunities Holding		15 Opportunity Master Fund?	
16 Company when you signed this policy?		16 A Yes.	
17 A -- fiduciary -- as a registered		17 Q Same answer for Highland Financial	
18 investment advisor, I assume -- I assume we did.		18 Partners?	
19 I don't know -- to the extent the fund doesn't		19 A Yes.	
20 exist anymore, I -- I don't know the answer. Let		20 Q You now know, sitting here today, that	
21 me just say that.		21 a Court has found that SOHC and CDO Fund	
22 Q Well, when you acted in August 2017 on		22 collectively owe to UBS over \$500 million, plus	
23 behalf of SOHC, which is the shorthand for Special		23 interest, at the time this insurance policy was	
24 Opportunities Holding Company, did you believe		24 signed, correct?	
25 that you had fiduciary duties you had to consider		25 A No, I don't know that.	

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	201		203
1 Q Well, you know that there has been a 2 judgment after a trial that found SOHC and CDO 3 Fund liable to UBS for over \$500 million, plus 4 accumulated interest, since 2009, correct?		1 is in favor of UBS?	
5 A I don't know the specifics of the 6 award, but generally I know there is a significant 7 award.		2 A I have not.	
8 Q Well, you know generally that the award 9 today totals roughly a billion dollars or more, 10 correct?		3 Q Do you feel you currently owe any 4 fiduciary duties to UBS in your capacity as 5 director of SOHC?	
11 MR. TAYLOR: Objection. Form.		6 MR. TAYLOR: Objection. Assumes facts 7 not in evidence.	
12 A Again, I don't know the mix, I don't 13 know the specifics. You mentioned a minute ago a 14 total to 550, and then you said it was a billion. 15 So I don't know -- I don't know the details and 16 the specifics.		8 MR. CLUBOK: Okay. Strike that.	
17 Q Okay. Let's make it very simple. As 18 you sit here today, you know that there is a 19 pending judgment against SOHC and CDO Fund for a 20 total of over a billion dollars, including 21 interest, correct?		9 Restate that.	
22 A I -- I don't know. And I don't know 23 if -- a pending judgment, I don't know if it's 24 appealable, I don't know if it is being appealed. 25 I have no idea.		10 Q I take it you have recently resigned 11 your position as director of SOHC?	
202		12 A I believe so.	
1 Q You have absolutely no idea if there is 2 an outstanding judgment right now against SOHC and 3 CDO Fund for approximately a billion dollars in 4 favor of UBS? That's your testimony?		13 Q That was done just within the last week 14 or so?	
5 A You said a minute ago a pending 6 judgment. Now you're saying it's a judgment. I 7 have no idea what the legal status is.		15 A I believe so.	
8 Q Do you know that there was a judgment 9 entered against SOHC and CDO Fund for over a 10 billion dollars, including interest, in favor of 11 UBS in connection with the New York litigation?		16 Q Prior to resigning as director of SOHC, 17 did you ever consider that you had fiduciary 18 duties owed to UBS in connection with the judgment 19 entered against SOHC on behalf of UBS?	
12 A I don't know the specifics. I don't 13 know the specific counterparties.		20 A I -- I don't recall.	
14 Q Do you know? So is that a no to my 15 question?		21 Q Are you currently a director of 22 Highland's -- sorry.	
16 A Yes. I don't know.		23 Do you currently have any role in 24 Highland CDO Opportunity Master Fund?	
17 Q Have you made any effort to consider 18 whether or not SOHC owes any money currently to 19 UBS?		25 A I don't know.	
20 A I have not.		204	
21 Q Have you made any effort to consider 22 whether currently CDO Fund owes any money to UBS?		1 MR. CLUBOK: We're going to mark as an 2 exhibit the document that is Bates labeled 3 HCMUBS005324, and that will be, I think, 4 Exhibit 29.	
23 A I have not.		5 That must be right. Whoops, sorry, no, 6 this is the wrong document.	
24 Q Have you ever taken any steps to try to 25 satisfy any judgment against SOHC or CDO Fund that		7 Sorry. We'll find the document here in 8 a second. I'm trying to find the letter that you 9 recently sent to the lawyers representing the 10 debtor in which you tendered your resignation.	
		11 I think, Alan, you may have pulled the 12 wrong number. Let's try this again. It's 13 HCMUBS005324.	
		14 It should be a letter. There we go.	
		15 Thank you. Sorry, maybe I missaw it or something 16 if you had it before.	
		17 Q Anyway, let's take a look at this.	
		18 This is a letter dated --	
		19 MR. CLUBOK: And we're going to make 20 this one Exhibit 29, correct?	
		21 Yes. Perfect.	
		22 (Deposition Exhibit 29 marked for 23 identification.)	
		24 Q Exhibit 29 is a letter dated April 28, 25 2021 from Bonds Ellis to Mr. James Seery, care of	

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1 Jeffrey Pomerantz. Do you see that? 2 A Yes. 3 Q And it's "RE: Resignation of James 4 Dondero from Defendant Entities in UBS, et al. 5 versus HCMLP, et al., Index No. 650097/2009 (N.Y. 6 Sup. Ct.)" Correct? 7 A Yes. 8 Q Have you seen this letter before? 9 A It was prepared by counsel. I have 10 seen it. 11 Q And it was signed by Mr. Clay Taylor, 12 who is representing you here today, correct? 13 A Yes. 14 Q And you saw it after it was complete 15 and either before or after it was sent to the -- 16 Mr. Seery? 17 A Yes. 18 Q And you authorized this letter to go 19 out under your -- 20 MR. CLUBOK: Strike that. 21 Q You authorized this letter to go out? 22 A Yes. 23 Q And in the letter you, in addition to 24 Mr. Taylor, are describing a number of things. He 25 says that you are hereby immediately resigning	205	1 want to -- it was sometime 2017 or earlier, you 2 know, essentially. 3 Q Sorry, you believe that you were no 4 longer a director of SOHC earlier than 2017? 5 A You know what, it's -- I don't want to 6 agree with that terminology. I just want to say 7 that the entity was not functioning normally or 8 routinely as far as corporate governance was 9 concerned, and I was probably the last surviving 10 director who tried to wrap it up responsibly with 11 the 2017 policy. 12 Q Okay. You were the only director ever 13 in the history of SOHC; isn't that true? 14 A I don't know. HFP had numerous 15 directors originally -- 16 Q I didn't ask you about HFP, okay? In 17 the interest of time here, I would like you to 18 answer the questions that I ask. You were the 19 sole director of SOHC from its inception, correct? 20 A I don't know. 21 Q When you signed in August of 2017, did 22 you believe you were still the director of SOHC? 23 A Yes. 24 Q Did you check with any other -- or were 25 you aware of any other directors in the world of	207
1 from "alleged director position(s) at HFP and SOHC 2 and/or any other officer positions at those 3 entities." 4 Do you see that? 5 A Yes. 6 Q Now, before you sent this letter, did 7 you believe that you were a director in SOHC? 8 A No. 9 Q When did you -- but you used to be a 10 director at SOHC, correct? 11 A Many years ago. 12 Q Well, you certainly were a director in 13 SOHC when you signed on their behalf in August of 14 2017 for the insurance policy, correct? 15 A Yes. 16 Q So when did you stop being a director 17 of SOHC? 18 A I mean, prior to 2017 it had been 19 inactive for a number of years, and, again, my 20 view and recollection is the insurance policy was 21 to transition and wrap up the dissolution, so to 22 speak, responsibly. 23 Q When did you stop being a director of 24 SOHC, to the best of your knowledge? 25 A For all intents and purposes -- I don't	206	1 SOHC other than yourself at that time? 2 A I don't know. I didn't check. I don't 3 remember. 4 Q Okay. So as far as you knew, you were 5 the sole director of SOHC in August 2017, correct? 6 A No. I didn't know is my testimony. 7 Q Okay. You didn't check to see if there 8 were other directors when you signed on behalf of 9 SOHC; is that correct? 10 A Correct. 11 Q And were you still a director of SOHC 12 in August 2017 when you signed that insurance 13 policy? 14 MR. TAYLOR: Objection. Asked and 15 answered. 16 A I believe so. 17 Q Okay. And when -- and you resigned in 18 this letter that you sent -- or that Mr. Taylor 19 sent -- April 28, 2021, correct? 20 A Yes. 21 Q And so fair to say you were a director 22 of SOHC for August 2017 until this resignation 23 letter, as far as you know, correct? 24 MR. TAYLOR: Objection. Form. 25 A I -- maybe in formality, but I can't	208

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**1 remember doing a single activity between 2017 and
 2 today on behalf of SOHC.**

3 Q Who directed SOHC's litigation strategy
 4 in 2018 and 2019?

5 **A I believe Scott Ellington.**

6 Q Who was ultimately responsible for
 7 SOHC, as far as you knew, during those years?

8 **A Ultimately Scott Ellington through
 9 Sentinel.**

10 Q You're saying Sentinel was responsible
 11 for SOHC starting in August 2017 going forward?

12 **A My general understanding is that the
 13 Sentinel policy took over the transition
 14 responsibilities for SOHC, meaning the legal
 15 strategies or any other legal issues that cropped
 16 up or any tax issues. So if you're talking about
 17 the period between the policy and today, I would
 18 have guessed that Sentinel was handling them.**

19 Q Who was able to make the decision as to
 20 whether or not to settle the litigation with UBS
 21 on behalf of SOHC after August of 2017, as far as
 22 you knew?

23 **A That would have been Scott Ellington.**

24 Q Did you have any role at all in the
 25 decision of whether or not SOHC would settle after

211
 1 connection with the UBS litigation. So even if
 2 Mr. Feinstein didn't have a problem with it, this
 3 has already been waived. But I assume,
 4 Mr. Feinstein, you don't have a problem with this
 5 line of questioning?

6 MR. FEINSTEIN: I don't, to the extent
 7 that there is some question about whether SAS was
 8 involved in the decision making. And, as we said,
 9 our waiver extends to Sentinel- and SAS-related
 10 matters.

11 MR. CLUBOK: Okay.

12 Q So Mr. Dondero, again, my question is,
 13 did you ever hear about any settlement demands
 14 from UBS in between August 2017 and the time you
 15 filed for bankruptcy?

16 **A I did not hear of any.**

17 MR. CLUBOK: The next document I want
 18 to put up is the responsive letter that was sent
 19 in response to Exhibit 29. That's going to be
 20 Bates number 5322. And that will be marked as
 21 Exhibit 30.

22 (Deposition Exhibit 30 marked for
 23 identification.)

24 Q Exhibit 30 is a letter sent via e-mail
 25 from Jeffrey Pomerantz to your lawyer, Clay

210
 1 August of 2017?

2 **A Until the -- I had never -- you asked
 3 me this earlier today. I had never heard of other
 4 UBS settlement offers until the August of '19
 5 settlement.**

6 Q Did you have any authority to decide
 7 whether or not SOHC would settle between August of
 8 2017 and that time of the bankruptcy?

9 **A I don't know. Because I haven't read
 10 the insurance policy, I don't know where
 11 responsibilities begin and end between SOHC and
 12 Sentinel.**

13 Q Did you ever hear about any settlement
 14 demands from UBS in between August 2017 and the
 15 time that you filed for bankruptcy?

16 **A So --**

17 MR. TAYLOR: To the extent that that
 18 asks for him to invade the attorney-client
 19 privilege, I don't believe -- but subject to
 20 Highland Capital's counsel potentially saying
 21 they've waived that, I'm going instruct him not to
 22 answer. I understood that to be further than what
 23 they waived.

24 MR. CLUBOK: Mr. Dondero has already
 25 testified about alleged settlement offers in

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 1 Taylor, dated May 7, 2021. Do you see that?

2 **A Uh-huh.**

3 Q Is that a yes?

4 **A Yes. I see that.**

5 Q And it's the same Re line, the same
 6 "Resignation of James Dondero from the Defendant
 7 Entities" in the New York UBS litigation, correct?

8 **A Yes.**

9 Q Have you seen a copy of this letter
 10 before today?

11 **A Yes.**

12 Q Okay. And without reading all of it,
 13 I'm going to briefly summarize. Mr. Pomerantz
 14 says he's in receipt of the letter where James
 15 Dondero resigned from his positions in connection
 16 with HFP and SOHC, and then he notes that you're
 17 also, at least as of the time of writing this
 18 letter, "a director of Highland CDO Opportunity
 19 Fund, the Bermuda feeder fund for the Highland CDO
 20 Opportunity Fund," also called "the CDO Fund,"
 21 collectively. And he asks to confirm immediately
 22 whether you are "resigning from HCDOF and all
 23 other subsidiaries of HCDOF as well." And I
 24 believe, as far as I know, there has never been a
 25 formal response to that.

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	213		215
1	But my question is, as you sit here	1	the -- see, I didn't see any -- do you see any
2	today, are you a director of Highland CDO	2	Ltd. -- any Bermuda funds here? I just didn't see
3	Opportunity Fund?	3	it at first glance.
4	MR. TAYLOR: Objection. Form.	4	Q I don't know. It would have to be
5	A I don't know, and -- I don't know. And	5	Ltd.?
6	when I got this letter, I wasn't sure of its	6	A See, I wasn't sure that any of these
7	relevance relative to the insurance policy. I	7	impacted Bermuda.
8	didn't remember Bermuda entities being relevant to	8	Q Well, in -- okay.
9	the HFP structure.	9	How is CDO Opportunity Master Fund
10	Q Okay. Well, are you resigning from CDO	10	connected to CDO Fund that says Ltd. on it?
11	Fund if you are currently a director?	11	A I have no idea.
12	MR. TAYLOR: Objection as to the form	12	Q Previously you said that you didn't
13	of the question.	13	remember signing the insurance policy, correct?
14	A I don't know. I mean, we were going to	14	A Correct.
15	look into it on whether I was a director and we	15	Q Does seeing this now refresh your
16	were going to look into it if it had any relevance	16	recollection that you did sign the insurance
17	or -- any relevance or effect on the rest of it,	17	policy on behalf of three different entities?
18	and we hadn't decided yet.	18	A No, not really.
19	Q Well, do you know that CDO Fund is one	19	Q But you authorized your signature on
20	of the defendants in the New York litigation?	20	this policy, correct?
21	A Is it one of the entities that was	21	A Correct.
22	found guilty or owing money?	22	Q And before you authorized the policy --
23	Q Yes.	23	MR. CLUBOK: Well, strike that.
24	A Okay. I didn't know that. So we	24	Q So when you authorized it, you knew you
25	need -- we needed to look into that.	25	were authorizing it not just on behalf of SOHC or
	214		216
1	Q Okay. I take it you made no effort to	1	CDO Holding Company, but also on behalf of
2	try to satisfy any portion of the judgment that	2	Highland CDO Opportunity Master Fund, LP, correct?
3	was entered against CDO Fund on behalf of UBS?	3	A Again, I delegated and entrusted it to
4	A I don't believe so.	4	Scott Ellington and his team.
5	Q And do you have any idea right now if	5	Q So is that a yes?
6	you have any responsibility for CDO Fund, either	6	A No. I didn't know. I delegated it to
7	as a director, an officer, owner or anything like	7	him. I didn't -- I didn't review the signature
8	that?	8	lines and the appropriateness of the signature
9	A I don't know.	9	lines individually or in aggregate. I trusted him
10	Q When was the last time you did -- you	10	to have the appropriate signature lines for what
11	took any actions with respect to CDO Fund?	11	he was trying to accomplish.
12	A Not that I can remember at this moment.	12	Q Going back to the first page here of
13	None that I can remember at this moment.	13	the insurance policy, it's called the "Legal
14	Q When do you -- well, when do you intend	14	Liability Insurance Policy," correct?
15	to decide whether or not you are going to resign	15	A It appears so, yes.
16	from being a director of CDO Fund?	16	Q And on the first page, 1.1 -- and I'm
17	A I don't know. Soon, I would imagine.	17	going to expand it so you can read it -- it says,
18	Q Okay. Well, please let us know if you	18	"This policy is between the insured and the
19	intend to resign from CDO Fund.	19	insurer as declared in the schedule. The
20	Let's go back to Exhibit 1. This is	20	document, together with its schedule and any
21	the insurance policy. We're back on this last	21	attached endorsements, is the policy which sets
22	page, and you can see here there is CDO Fund that	22	out this insurance. It is a legal contract so
23	you signed on behalf of as one of the insureds.	23	please read all of it carefully."
24	Do you see that?	24	Do you see that?
25	A I'm sorry, my eyes are so bad, but	25	A Yes.

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	217	1 THE WITNESS: You know, guys, listen, I 2 got to jump on this call. I will make it as 3 quickly as possible, hopefully less than a half an 4 hour. Okay? 5 MR. CLUBOK: Okay. We'll be here at 6 6:30. Let's go off the record. 7 THE VIDEOGRAPHER: Off the record. 8 6:59. 9 (A recess was taken.) 10 THE VIDEOGRAPHER: On record. 7:39. 11 BY MR. CLUBOK: 12 Q Let's go back to Exhibit 1. 13 Exhibit 1 was the e-mail from Isaac 14 Leventon claiming privilege and attaching a copy 15 of this insurance policy that we have been talking 16 about, correct? 17 A Yes. 18 Q So in 1.1 it said that because it's a 19 legal contract, you should "please read all of it 20 carefully." Did you read all of this carefully, 21 ever? 22 A No. 23 Q It says the "policy is between the 24 insured and the insurer as declared in the 25 schedule." Let's go look at the schedule, which	219
218		1 is towards the back of the document, I think right 2 before the signature page. And the schedule for 3 the insurance policy says the insurer is Sentinel 4 Reinsurance, Limited. That was your 5 understanding, correct? 6 A Yes. 7 Q And then it says the "Insured," and it 8 lists three entities, "Highland CDO Opportunity 9 Master Fund, LP," "Highland CDO Holding Company" 10 and "Highland Special Opportunities Holding 11 Company." 12 Do you see that? 13 A Yes. 14 Q Does this refresh your recollection 15 that there were three insureds specifically 16 identified in the policy? 17 A Okay, yeah. I didn't know, but yeah, 18 that seems to say it. 19 Q You're claiming that you never knew 20 before today that all three of those entities were 21 listed as the insureds? 22 A Correct. 23 Q Appointed representative is Paul 24 Lackey. Do you see that? 25 A Yes.	220
		1 most of the cases they were working on for you, 2 correct? 3 A From -- yes, from a bunch of them. 4 Q And you don't know if you've appointed 5 another representative to replace Mr. Lackey in 6 connection with this insurance policy? 7 A I don't know. 8 Q Do you see where it says "Date of 9 commencement of the Period of Insurance" is 10 August 1st, 2017? 11 A Yes. 12 Q And later on it lists the payment date 13 for the premium as August 31st, 2017, correct? 14 A Yes. 15 Q And that's consistent with your 16 recollection that you were approving this policy 17 in approximately August of 2017, correct? 18 A Yes. 19 Q And then do you see where it says 20 "Legal Action"? 21 A Yes. 22 Q And it specifically identifies "UBS 23 Securities LLC and UBS AG, London Branch versus 24 Highland Capital Management, LP; Highland Special 25 Opportunities Holding Company; Highland Financial	

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1 Partners, LP; Highland CDO Opportunity Master
 2 Fund, LP; Highland Credit Opportunities CDO, LP;
 3 and Strand Advisors, Inc., Cause Number
 4 650097/2009."

5 Do you see that?

6 A Yes.

7 Q That's the only legal action identified
 8 in this schedule to this insurance policy,
 9 correct?

10 A The only one identified on this page,
 11 yes.

12 Q Well, the previous page -- I'll go to
 13 the previous page so you can see it. The previous
 14 page was page 16 of 16 that had a blank signature
 15 page after the end of the policy terms. Do you
 16 see that?

17 A Yep.

18 Q And then there is the schedule, and
 19 then the next page after the schedule is the
 20 signed signature page. Do you see that?

21 A Yep.

22 Q Okay. So are you aware of any other
 23 schedule to this policy other than the one that
 24 identifies only the UBS litigation as the legal
 25 action?

1 A I'm not aware of anything else.

2 Q And it specifically says the opponent
 3 is UBS Securities LLC and UBS AG, London Branch,
 4 right?

5 A Yes.

6 Q It says the limit of indemnity is
 7 \$100 million in the aggregate, correct?

8 A Yes.

9 Q And you had remembered it was a
 10 \$100 million insurance policy, correct?

11 A Yes.

12 Q Then it says the premium is
 13 \$25 million, right?

14 A Yes.

15 Q Now, fair to say this policy is
 16 directed at potential liability in connection with
 17 the UBS litigation that's been pending in New York
 18 since 2009, correct?

19 A I'm sorry, repeat that, please.

20 Q Fair to say that this insurance policy
 21 is specifically directed at potential liability
 22 arising out of the UBS litigation that's been
 23 pending in New York since 2009?

24 A I'm going to stay consistent with my
 25 testimony that I have said all day that I

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1 understood this to be a transitional policy. That
 2 was the original intent and how it was described
 3 to me. If it ended up taking twists and turns and
 4 being more focused, I wasn't aware of. And then I
 5 see it's only UBS on the schedule -- on the known
 6 schedule addendum here. But I haven't seen this
 7 before. I haven't looked through it. We haven't
 8 gone through the other pages. Whether or not it
 9 references other litigation or tax -- potential
 10 tax or other litigation stuff, I don't know. So I
 11 can't -- I can't say that this is the only thing
 12 it represents. I don't know.

13 Q Right. But as you sit here today, you
 14 have no basis to say that this policy is directed
 15 at anything other than UBS other than your pure
 16 speculation or wish, correct?

17 A Well, as it was described to me, but
 18 also, we haven't gone over the rest of the
 19 document. And just maybe this was the only action
 20 that was known at the time. I -- I --

21 Q Right. And --

22 A If you want to ask me about the four
 23 corners of this document, it says what it says,
 24 and you're right, it says -- that's the only legal
 25 action it says, but I can't -- I can't comment on

222

1 the rest of the policy.

2 Q That wasn't my question, to ask you to
 3 comment. We're going to go through the policy,
 4 but that's not what I asked you. So please listen
 5 carefully to my question.

6 As you sit here right now, you have no
 7 basis to say that this policy is directed at
 8 anything other than the UBS litigation other than
 9 pure speculation or a wish on your part, correct?

10 MR. TAYLOR: Objection. Misstates his

11 prior testimony.

12 A Yeah, I wouldn't say a wish. That's
 13 how it was described to me historically. That's

14 what I remember.

15 Q Described to you by Scott Ellington.

16 A Yes.

17 Q And you're saying that Scott Ellington
 18 said that this policy would cover something beyond
 19 the UBS litigation, correct?

20 A Yes, I believe that was -- yes, that's
 21 what I remember, and I think that was the original
 22 intent.

23 Q Yeah, but when you signed it, did
 24 you --

25 MR. CLUBOK: Strike that.

223

224

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	225		227	
1	Q	You think it was the original intent,	1	Do you see that?
2		in fact, for the policy to not even have a main	2	A Yes.
3		purpose as the UBS litigation but to have	3	Q Now, do you know enough to have a
4		something else, as you previously have stated,	4	general sense of what that means to you? Is that
5		right?	5	gibberish to you or do you have an
6	A	Yeah, like I said, to provide	6	understanding --
7		transition and windup for the HFP funds and	7	A I mean, I think what it's -- I -- it's
8		subsidiaries.	8	not gibberish, but what it's really saying, I
9	Q	Yeah, but as you sit here today, other	9	think, is there's offsets for legal fees, there's
10		than what Mr. Ellington supposedly told you, you	10	offsets for other expenses and other indemnities
11		have no basis to support your statement that this	11	11 or assets -- I -- yeah, you know what, I don't
12		policy was directed at anything other than the UBS	12	understand. I would need -- I would need an
13		litigation and potential liability related	13	actuary or whoever decides these things to explain
14		thereto, correct?	14	14 it to me.
15	MR. TAYLOR:	Objection to the form of	15	Q Okay. So then we move on. 1.32 just
16		the question.	16	says that there is additional -- whoops,
17	A	I don't have other knowledge of other	17	"Additional clauses set out terms, exclusions or
18		cases addressed by this insurance.	18	18 limitations that may apply to more than one
19	Q	Okay. And we're going to go to the	19	19 insured section." And it says, "The following
20		first page again of the policy, and picking up	20	20 general terms apply to each insured section." And
21		where we left off, we now know the policy is	21	21 it lists general exclusions and limitations,
22		between the insured and the insurer as declared in	22	22 duties, general terms, and general definitions.
23		the schedule, and that -- we've already covered	23	Then in the next section, sorry, it
24		what the schedule says, correct?	24	says the "Policy period and premium." It says,
25	A	Yep.	25	25 "The policy will provide insurance for a period of
	226		228	
1	Q	So then it says words in bold have	1	insurance provided the premium and other charges
2		specific meanings. Then it says the "Policy	2	2 are paid." And the premium is \$25 million,
3		Structure," and I'm going to make it a little bit	3	3 correct?
4		bigger here.	4	A That's what it said on the schedule,
5		It says, "Each insured section sets out	5	yes.
6		the scope of the main coverage and the	6	Q Okay. We're going to skip down to
7		circumstances in which the insurer's liability to	7	"Insured section," where it says, "Legal
8		the insured is limited or may be excluded.	8	liability," and under "Insured section - Legal
9		Further, each insured section," and that's --	9	liability," it says, "The insurer agrees to
10		"insured section" is in bold, "sets out other	10	10 indemnify the insured in respect of any legal
11		11 terms and conditions relevant to that insured	11	11 liability occurring during the period of insurance
12		12 section. The cover provided by each insured	12	12 up to and including but not exceeding the limit of
13		13 section is only operative if a limit of indemnity	13	13 indemnity provided that either the Court (or any
14		14 is shown in the schedule. Where the limit of	14	14 appellate court to which the Court's judgment in
15		15 indemnity in respect of any item in the schedule	15	15 the legal action is appealed) makes an order of
16		16 is shown as 'n/a,' 'not applicable' or 'not	16	16 liability relating to the legal action against the
17		17 insured,' then no cover applies for that item.	17	17 insured; or the legal action is (with the prior
18		18 Where the insured comprises more than one person,	18	18 written agreement of the insured, the appointed
19		19 the limit of indemnity for all claims made by all	19	19 representative and the insurer) settled on terms
20		20 persons comprising the insured shall apply, but as	20	20 that provide for payment by the insured to the
21		21 there is no sublimit of indemnity in relation to	21	21 opponent."
22		22 each individual person, one or more of those	22	Do you see that?
23		23 persons will not receive payment of a claim if the	23	A Yes.
24		24 limit of indemnity has already been met as a	24	Q And when it talks about the legal
25		25 result of the payment of other claims."	25	25 action, that's a -- "legal action" is a bold

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	229		231
1	phrase, correct?	1	make sure it's a bona fide claim.
2	A Yes.	2	Q When you authorized this policy, did
3	Q And on the schedule that we looked at	3	you expect that it could be difficult to collect
4	before, which I'm going to skip back to, the legal	4	under the terms of the policy, given what you have
5	action lists the UBS legal action and nothing	5	said about insurance companies?
6	else, correct?	6	A I don't remember having any thoughts on
7	A Yes.	7	that subject.
8	Q So, do you know if a claim has ever	8	Q How much total legal fees have been
9	been made under this policy?	9	paid out pursuant to this policy?
10	A I have no idea.	10	A I have no idea.
11	Q Do you know if there has been any	11	MR. CLUBOK: We're going to turn to
12	payments authorized under this policy?	12	what's been -- what's behind Tab number 3, and I
13	A I have no idea.	13	believe it is Exhibit number --
14	Q You say you have no idea. Isn't it	14	REMOTE TECH: That would be 31.
15	true you have authorized payments under this	15	MR. CLUBOK: 31. Thank you.
16	policy before?	16	(Deposition Exhibit 31 marked for
17	A I'm willing to be refreshed. Do you	17	17 identification.)
18	mean payment of legal fees or -- I'm willing to be	18	Q We are going to turn to Exhibit 31,
19	refreshed.	19	which is a letter from McKool Smith dated
20	Q Yeah, have you authorized payment of	20	20 October 19th, 2018, from Gary Cruciani to Jim
21	legal fees pursuant to this policy?	21	Dondero.
22	A I don't remember. I mean, it sounds	22	Now, do you -- you recall the UBS trial
23	logical, but I don't remember.	23	occurred in late summer of 20- -- or in the summer
24	Q And you have no idea if a claim has	24	24 of 2018, correct?
25	ever been made under this policy?	25	A Okay.
	230		232
1	A I have no idea.	1	Q Did you pay attention to the trial when
2	Q You know that this policy on its face	2	it was going on?
3	applies to legal liability in connection with the	3	A No.
4	UBS litigation in New York, correct?	4	Q Did you ever get a report of how the
5	A Generally, I guess, or maybe that's	5	trial went after it was concluded?
6	what you mean by "on its face." But whether and	6	A Not that I remember.
7	how a claim is paid or whether it's bona fide, you	7	Q But you got a report when the decision
8	know, there's a whole cottage industry that	8	was handed down by the judge awarding over a
9	develops up around that. We --	9	billion dollars, including interest, correct?
10	Q Have you made any -- oh, sorry. You	10	A You mean the more recent case? Is that
11	can continue.	11	what you're -- the 2020 case?
12	A No, I was just going to say we've tried	12	Q It was in the end of 2019, I believe.
13	to collect on insurance before too and it's not	13	In November of 2019 there was a decision issued in
14	easy.	14	that case, right after you had gone into
15	Q Insurance companies don't make it easy	15	bankruptcy, a few weeks later, in which a decision
16	sometimes, correct?	16	was handed down awarding over a billion dollars,
17	A That's right.	17	17 including interest.
18	Q And is that Sentinel Re's policy, to	18	Do you remember that?
19	not make it easy for someone to collect on a	19	A Yes.
20	premium -- on a policy?	20	Q And before that decision was handed
21	MR. TAYLOR: Objection to the form of	21	down but after the case was tried, so when people
22	the question.	22	didn't know what the result was, Mr. Cruciani
23	A No, I'm not making a comment. I'm just	23	wrote to you and asked you to pay the legal fees
24	saying, especially on a large policy, the	24	that had been incurred from trying the case. Do
25	insurance company, I think, is always going to	25	you remember that?

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	233		235
1 A I do not remember, but refresh me. I'm		1 Q Do you remember negotiating this	
2 okay.		2 payment schedule with Mr. Cruciani?	
3 Q Okay. So I'm showing you Exhibit 31,		3 A Not specifically.	
4 and it lists a number of different actions. It		4 Q Mr. Cruciani was a lawyer that you	
5 says, "Re: Redeemer Committee versus Highland		5 hired to help you in these five cases that he	
6 Capital, the Delaware Action."		6 identifies in the Re line in Exhibit 31, right?	
7 A Yeah.		7 A Yes.	
8 Q Then "Redeemer Committee versus		8 Q And did you think Mr. Cruciani did a	
9 Highland Capital, the Crusader Arbitration." Then		9 good job for you?	
10 it lists the UBS case, which they call "the UBS		10 A It depends matter by matter. I think	
11 Case," in New York. Then they list the case of		11 they know they were weak on the Acis matter, but	
12 Highland versus Acis, which they call "the		12 that might have been Jernigan related.	
13 Terry/162 case" -- or "Terry/162nd Case." And		13 Q How about the UBS case?	
14 then they list the case against Alvarez and		14 A I don't have an opinion. I don't	
15 Marsal, which they call "the A&M Case."		15 remember.	
16 Do you see that?		16 Q Okay. But you -- when Mr. Cruciani	
17 A Yes.		17 sent you this letter, the schedule had already	
18 Q The letter that's been marked as		18 been agreed upon and he is just sending this to	
19 Exhibit 31 from Gary Cruciani of McKool Smith		19 confirm it, correct?	
20 references five separate actions.		20 A That's right. It would have been	
21 Do you see that?		21 negotiated by Ellington and the legal team. I	
22 A Yes.		22 didn't -- I just signed it.	
23 Q And Mr. Cruciani says to you,		23 Q But you signed off on this schedule	
24 "Mr. Dondero, With regard to the fees and expenses		24 that would pay him approximately \$6 million	
25 that McKool Smith has incurred in the		25 between October 31st, 2018 and December 31st, 2018	
	234		236
1 above-referenced cases, and has billed to Highland		1 for those five cases that he notes at the top of	
2 Capital Management, LP and its affiliates		2 Exhibit 31, correct?	
3 (collectively, 'Highland'), Highland agrees to pay		3 A Yes.	
4 amounts according to the following schedule		4 Q And then you -- there's a note. It	
5 towards the balances owed by Highland. The		5 looks like it might have been a Post-it Note that	
6 Payment Schedule will apply toward the invoiced		6 got copied that says "50/50 Sentinel." Do you see	
7 balances but shall not be in satisfaction of the		7 that?	
8 entire amounts. Payments made pursuant to the		8 A Yes.	
9 Payment Schedule will be without waiver or		9 Q Is that your handwriting?	
10 prejudice to the entitlement to payment on		10 A No.	
11 remaining unpaid balances" and Highland's right to		11 Q Do you know whose it is?	
12 contest it, et cetera.		12 A No.	
13 And then there is a payment schedule		13 Q Did you ever direct Sentinel to take	
14 which says that Highland will pay McKool Smith		14 responsibility for some of this payment schedule	
15 \$2 million by October 31st, 2018, another		15 that you agreed to in Exhibit 31 with	
16 \$2 million by November 30th, 2018, and a third		16 Mr. Cruciani?	
17 \$2 million by December 31st, 2018.		17 A No. I wouldn't have been the one that	
18 Do you see that?		18 decided legal fee allocations.	
19 A Yes.		19 Q Now, how much of that \$6 million was as	
20 Q And a little bit farther down it says,		20 a result of the UBS case as opposed to all the	
21 "Agreed on behalf of Highland Capital Management,		21 other cases? Any idea?	
22 LP by Strand Advisors, its general partner," and		22 A No idea.	
23 it's signed by you.		23 Q Any idea, rough percentage? Is it half	
24 Do you see that?		24 the amount? Is it two thirds of the amount? Is	
25 A Yes.		25 it --	

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1	A No idea.	1	covered by the insurance policy that we have been
2	Q -- 10 percent?	2	talking about today is the UBS case, correct?
3	A No idea.	3	A Yes.
4	Q Any clue?	4	Q Do you know if Isaac Leventon had
5	A No idea.	5	authority to authorize payments from Sentinel Re
6	Q Did you ever make any effort to find	6	to pay for legal fees or costs associated with the
7	out?	7	UBS litigation?
8	A No. It's not -- it wasn't my job to	8	A I don't know.
9	allocate legal fees between, you know, items.	9	Q Would Scott Ellington know? Or would
10	Q Do you know if Sentinel ever paid for	10	you expect Scott Ellington to know, I should say?
11	part of the legal fees that McKool Smith agreed to		
12	under this payment schedule in Exhibit 31?		
13	A If it was allocated, it would have		
14	paid. I know McKool -- I know we did pay McKool		
15	according to that schedule.		
16	Q What do you mean, "if it was		
17	allocated"? What does that mean?		
18	A Well, I'm just saying whoever did the		
19	accounting in legal or accounting, if they said		
20	X percent was going to be paid by one entity and		
21	Y percent was going to get paid by another and		
22	Z percent was going to get paid by another, they		
23	would have kept to that schedule. And I know		
24	McKool Smith was paid the monies outlined here.		
25	Q And who would have had the respons- --		
		238	
1	who would have had the authority to tell Sentinel	1	A You know, not based on results to date.
2	they've got to pay a certain allocation of these	2	Q Okay. Let's look at the document
3	fees?	3	behind Exhibit -- I'm sorry, behind Tab 12, which
4	A Whoever was doing legal fee expense	4	has previously been marked as Exhibit 2.
5	allocations at the time.	5	MR. TAYLOR: While we're waiting for
6	Q Who was that?	6	that to pull up, can I get a time check, please?
7	A It would have been somebody in -- it	7	And I'm going to have, like, five minutes of
8	would have either been Ellington or somebody on	8	questions at the end.
9	his team.	9	THE VIDEOGRAPHER: Yes, sir. We're at
10	Q The policy, though -- of these five	10	10 5 hours and 9 minutes.
11	actions that are identified here, the only one	11	MR. TAYLOR: Thank you.
12	that's covered by the policy is the UBS case,	12	MR. CLUBOK: Plenty of time.
13	correct?	13	THE WITNESS: You heard me?
14	MR. TAYLOR: Objection to the form of	14	MR. CLUBOK: For what it's worth, I
15	the question.	15	don't think I'll use all that time, Jim, but we'll
16	A Okay. Yeah, I -- yes, I can see UBS	16	keep plugging away. We're making good headway
17	only referenced in the third of the five.	17	now. Although I reserve the right to respond and
18	Q My question is, is it the case that --	18	ask more questions after I hear what Clay has to
19	MR. CLUBOK: Strike that.	19	say. So I'll save a little bit of time for that.
20	Q There are five matters listed here on	20	Q This is -- I'm looking at what's been
21	Exhibit 31 that Mr. Cruciani is asking for legal	21	marked as Exhibit 2. And I'm going to show you
22	fees and you're agreeing to pay a total of	22	first the signature page. And do you see where it
23	\$6 million to, correct?	23	says "Seller, Highland CDO Opportunity Master
24	A Right.	24	Fund, by," several entities and ultimately signed
25	Q And of those five, the only one that is	25	by you as president of Strand Advisors?

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1 A Yep.		1 Reinsurance and each of Highland CDO Opportunity	
2 Q Is that your signature?		2 Master Fund, LP; Highland CDO Holding Company and	
3 A Yep.		3 Highland Special Opportunities Holding Company	
4 Q And did you have authority to sign on		4 (together, 'Sellers')."	
5 behalf of those entities that are listed there		5 Do you see that?	
6 under "Seller"?		6 A Yes.	
7 A I believe so.		7 Q Now, that's what it says up there. And	
8 Q And same thing with -- is that also		8 then it says that "Sellers are each a party in a	
9 your signature for Highland CDO Opportunity Fund,		9 lawsuit styled UBS Securities LLC and UBS AG,	
10 Limited and Highland CDO Holding Company on this		10 London Branch versus Highland Capital Management,"	
11 same document?		11 et cetera. And that's defined as the "Lawsuit."	
12 A Yes.		12 Do you see that?	
13 Q And you had authority to sign on behalf		13 A Yes.	
14 of those entities as well?		14 Q And it says, "Whereas, Sellers desire	
15 A I believe so.		15 to purchase a Legal Liability Insurance Policy	
16 Q And then it's also got Highland Special		16 relating to Sellers' potential liability in the	
17 Opportunities Holding Company. Same thing? You		17 Lawsuit" -- capital L, Lawsuit -- "in form	
18 had authority to sign on behalf of that entity at		18 substantially as set forth in Exhibit A hereto	
19 the time?		19 (the 'Policy')."	
20 A I believe so.		20 Do you see that?	
21 Q And then it continues with some other		21 A Yep.	
22 entities on this document, including Highland		22 Q Now, does that mention anything about	
23 Financial Corp. Do you see that?		23 any other litigation?	
24 A Yep.		24 A No.	
25 Q Did you have authority to sign on		25 Q Does it mention anything about	
	242		244
1 behalf of Highland Financial Corp. at this time?		1 transition services of any kind?	
2 A I believe so.		2 A No.	
3 Q And same thing with Highland Financial		3 Q Does it mention anything about dealing	
4 Partnership, or HFP?		4 with regulators or dealing with the IRS or dealing	
5 A I believe so.		5 with taxes or anything else like that?	
6 Q So you signed on behalf of all these		6 A No.	
7 different entities as the seller for this purchase		7 Q The only reason given for purchasing	
8 agreement. Do you see that?		8 the legal liability insurance policy is related to	
9 A Yes.		9 the Highland affiliated entities' potential	
10 Q And then the purchaser was an entity --		10 liability in the UBS lawsuit, correct?	
11 was Sentinel Reinsurance. Do you see that?		11 A Yes.	
12 A Yes.		12 Q And the purchaser under this agreement	
13 Q And it was signed by Andrew Dean,		13 is an insurance company that is able to provide	
14 right?		14 the sellers insurance coverage pursuant to the	
15 A Yes.		15 terms of the requested policy. Do you see that?	
16 Q Did you ever talk to Andrew Dean about		16 A Yes.	
17 this agreement?		17 Q And the policy you understand is the	
18 A No.		18 one we have been talking about today, correct?	
19 Q Have you ever met Andrew Dean?		19 A Yes.	
20 A I don't believe so.		20 Q And then it talks about a payment of	
21 Q Have you ever spoken with Andrew Dean?		21 premium, and it says the "Purchaser," which is	
22 A Not that I can recall.		22 Sentinel Reinsurance, "agrees to accept the assets	
23 Q Going back to the beginning, this		23 listed in Schedule A as 100 percent payment of the	
24 purchase agreement was dated August 7th, 2017, and		24 Premium" -- capital P -- "including any as yet	
25 it was "entered into by and among Sentinel		25 unpaid or contingent financial proceeds or other	

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<p>1 benefits related thereto."</p> <p>2 Do you see that?</p> <p>3 A Yes.</p> <p>4 Q And, remember, the premium was supposed</p> <p>5 to be \$25 million, correct?</p> <p>6 A Yes.</p> <p>7 Q Then it says this is the entire</p> <p>8 agreement. It says you can only amend it in</p> <p>9 writing. It says you can execute in counterparts.</p> <p>10 It says the governing law is the Cayman Islands.</p> <p>11 And then it says, "Further Assurances," the</p> <p>12 parties agree to do the other things necessary to</p> <p>13 execute this agreement. Do you see that?</p> <p>14 A Yes.</p> <p>15 Q And before you signed on behalf of all</p> <p>16 these entities, did you make any effort to figure</p> <p>17 out what you were signing?</p> <p>18 A No, not beyond that. It was all tied</p> <p>19 together, I guess.</p> <p>20 Q All tied together with the insurance</p> <p>21 policy issuance, correct?</p> <p>22 A Yes.</p> <p>23 Q And it referenced a schedule of what</p> <p>24 was being purchased, and I'm going to scroll down</p> <p>25 in the document to the page that's entitled</p>	<p>1 MR. CLUBOK: Or strike that.</p> <p>2 Q The Aberdeen asset. Do you recognize</p> <p>3 that asset?</p> <p>4 A I just -- I recognize the name. It's</p> <p>5 an old CLO.</p> <p>6 Q Do you know what the fair market value</p> <p>7 was at the time it was transferred as part of</p> <p>8 the --</p> <p>9 A No.</p> <p>10 Q -- sales option, the \$25 million</p> <p>11 premium for the insurance policy?</p> <p>12 A No.</p> <p>13 Q Did you make any effort to figure out</p> <p>14 the fair market value of the Aberdeen asset at the</p> <p>15 time it was transferred?</p> <p>16 A No.</p> <p>17 Q How about the Southfork CLO? Same</p> <p>18 answer?</p> <p>19 A Yes.</p> <p>20 Q Same answer for the -- well, there's</p> <p>21 another Aberdeen asset. It looks like it's the</p> <p>22 same one, although it's a different ISIN number.</p> <p>23 What does the ISIN number mean? Is that like a</p> <p>24 CUSIP number?</p> <p>25 A Yeah, it's an identification number for</p>
246	248
<p>1 "Schedule A" of Exhibit 2, and this is -- it will</p> <p>2 be probably a little bit hard to read. I'm going</p> <p>3 to scroll down part of the time so we can keep it</p> <p>4 large enough for you to read it on the screen.</p> <p>5 But I can change the size if you want to see the</p> <p>6 whole thing. I'll change the size briefly so you</p> <p>7 can see the whole page and then I'll make it</p> <p>8 smaller so you can -- or make it bigger so you can</p> <p>9 read it more carefully on the screen.</p> <p>10 So Schedule A has two pages, and it</p> <p>11 lists a series of assets. Do you see that?</p> <p>12 A Yes.</p> <p>13 Q And these were the assets that this</p> <p>14 purchase agreement specifically said are being</p> <p>15 transferred from the various Highland affiliates</p> <p>16 as satisfaction of the \$25 million premium for the</p> <p>17 insurance policy, correct?</p> <p>18 A Yes. Yes.</p> <p>19 Q Let me ask you about some of these</p> <p>20 assets. Do you know what "Aberdeen LN FDG LTD</p> <p>21 PFD" is?</p> <p>22 A Yeah, some of these are old CLO pieces.</p> <p>23 Q Okay. Do you know specifically -- I</p> <p>24 asked you about the first one, the Aberdeen</p> <p>25 entity --</p>	<p>1 things that aren't CUSIP eligible, I think.</p> <p>2 Q If there's different ISINs for the two</p> <p>3 different Aberdeens, does that mean they're</p> <p>4 different tranches or something? Or why would</p> <p>5 there be different ISINs for the two different</p> <p>6 Aberdeen assets?</p> <p>7 A That's what I would guess, but I don't</p> <p>8 know.</p> <p>9 Q Okay. Do you -- so I'm going to go</p> <p>10 from the assets from Aberdeen down to Greenbriar.</p> <p>11 So the first six assets listed here, fair to say</p> <p>12 you have no idea what their fair market values</p> <p>13 were at the time of the transfer?</p> <p>14 A Correct.</p> <p>15 Q And you made no effort to find that</p> <p>16 out, correct?</p> <p>17 A Correct.</p> <p>18 Q And then there's two line entries for</p> <p>19 Highland Financial Partners LP and Highland</p> <p>20 Financial Partners LP NPV. Do you know what that</p> <p>21 refers to?</p> <p>22 A No.</p> <p>23 Q Would those be interests in Highland</p> <p>24 Financial Partners?</p> <p>25 A I don't know.</p>

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1	Q Okay. Do you have any idea what the	1	an entity that's now called Multi Strat, correct?
2	fair market value of those interests were at that	2	A I don't know.
3	time?	3	Q Do you know if Highland Credit
4	A No.	4	Opportunities changed its name at some point to
5	Q How about Longstreet CDO or NexPoint	5	Multi Strat?
6	C COM? Any idea of the fair market value of those	6	A I don't know. I've heard that
7	assets?	7	recently, but I don't know that to be true.
8	A Nope.	8	Q Well, do you know if Highland Credit
9	Q Pam Cap FDG LP? Does that ring a bell?	9	Opportunities ever changed its name?
10	A That was one of our -- that was in '98.	10	A I don't know. I mean, I'm willing to
11	That was one of our first large CLOs. I think	11	be educated, but I don't know.
12	that was 1998.	12	Q You've heard of the entity that I've
13	Q Any idea what it was worth at the time	13	shorthand called Multi Strat, right?
14	of this transfer?	14	A Yes.
15	A Cents. Cents on the dollar.	15	Q Was Multi Strat always called Multi
16	Q How about -- what's FRN?	16	Strat?
17	A I don't know. Floating rate note, I'm	17	I -- we tried to clean up a lot of
18	guessing. I don't know.	18	funds that were small, and, you know, we tried to
19	Q What's a floating rate note?	19	aggregate assets and strategies after the '08
20	A Sometimes CLO tranches are referred to	20	crisis, but I don't remember all of the name
21	as floating rate notes.	21	changes.
22	Q Okay. Any idea what the fair market	22	Q Okay. By the way, I should have
23	value of that floating rate note would have been	23	mentioned that all the assets I'm talking about
24	at the time of this transfer?	24	now on Schedule A of Exhibit 2 are under a big
25	A I don't know which tranche it is. It	25	bold, heading, "Highland CDO Opportunity Master
	250		252
1	says -- is that 0 point -- I don't know. I think	1	Fund, LP." Do you see that?
2	it is the equity tranche, but I don't -- I don't	2	A Yes.
3	know.	3	Q And there's other entities that have
4	Q How come there is no ISIN next to FRN?	4	assets, but we'll get to those in a minute. I'm
5	A I don't know.	5	just going to continue through the CDO -- Highland
6	Q Any idea how the value of that asset	6	CDO Opportunity Master Fund, LP assets.
7	would compare with the par value?	7	And did you know that Highland CDO
8	A I have no idea.	8	Opportunity Master Fund at one point had an
9	Q Tousa Inc.? Any idea about that one?	9	interest in Highland Credit Opportunities?
10	A No.	10	A I don't know.
11	Q Valhalla or Vertical? Any idea about	11	Q Look, you -- you've offered settlements
12	those assets, what they were or how much they were	12	in this case that relate to interest in Multi
13	worth at the time of the transfer?	13	Strat, correct?
14	A No idea. Those are CLOs, but I	14	A Yeah, but that wasn't because of this.
15	don't -- I mean, I don't know what Vertical is.	15	Q I understand, but just to get the names
16	That wasn't one of our deals. Valhalla was one of	16	straight, you know that Multi Strat was once the
17	our old deals.	17	entity that -- without getting all the acronyms at
18	Q Was it -- did it lose value before it	18	the end exactly right -- was loosely called
19	closed?	19	Highland Credit Opportunities or Highland Credit
20	A I have no idea.	20	Opps, right?
21	Q Then we get to Highland Credit	21	A See, that's what I don't know. I mean,
22	Opportunities CDO Limited Partnership Interest.	22	we have offered settlements out of Multi Strat
23	Do you see that?	23	before, but it's because of the life settlements,
24	A Yes.	24	not because of this.
25	Q Now, Highland Credit Opportunities is	25	Q No, no, but I'm saying -- I'm just

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1 talking about the name. You know -- you have 2 recently -- you recently caused people at Highland 3 to get you the redeemers from Multi Strat, and 4 fair to say that when you did that, you knew that 5 what is now called Multi Strat used to be called 6 an entity that was known as Highland Credit 7 Opportunities; isn't that true?		1 100 percent payment of the Premium," which was 2 \$25 million, correct?	
8 A I don't remember.		3 A Yes.	
9 MR. TAYLOR: Andy, that's been asked 10 and answered, like, five times now, in a row.		4 Q Okay. So going back to Schedule A, all 5 of these assets together on Schedule A were to 6 satisfy the \$25 million premium for the insurance 7 policy we have been talking about today, right?	
11 Q So continuing on the Schedule A, the 12 Highland CDO Opportunity Master Fund assets that 13 were transferred to Sentinel Reinsurance for 14 satisfaction, in part, of the \$25 million premium, 15 do you see there is an entry for "NexPoint Real 16 Estate Strat -Z"?		8 A Yes.	
17 A Yes.		9 Q And part of that was \$599,000 in cash 10 from Highland CDO Opportunity Master Fund, right?	
18 Q Do you know what that's worth?		11 A Yes.	
19 A Nope. No, I do not.		12 Q And that \$599,000 in cash would have 13 been a liquid asset that was being transferred as 14 partial payment of the premium, correct?	
20 Q Then there's a Highland Gemini Program 21 \$2.4 million promissory note from the Dugaboy 22 trust as maker and cash of 599,000.		15 A Yes.	
23 Do you see that?		16 Q And how about that \$2.4 million 17 promissory note from Dugaboy Investment Trust? 18 Did Dugaboy pay that note, satisfy that note?	
24 A Yes.		19 A Yes.	
25 Q Now, you know what the cash was worth.		20 Q So -- and Dugaboy -- do you know if 21 Dugaboy is not going to make good on that note?	
	254	22 A I don't know.	
1 The cash was worth \$599,999, correct?		23 Q Has Dugaboy made good on that note?	
2 A Yes.		24 A I don't know.	
3 Q So that's not -- that would be a very 4 liquid asset that was held at CDO Opportunity 5 Master Fund prior to the transfer to pay for the 6 premium, correct?		25 Q Do you have any basis to believe that	
7 A I don't know.			256
8 Q You don't know if cash is liquid?		1 they have some excuse for not making good on that 2 note, as you sit here today?	
9 A No, I know cash is liquid. I don't 10 know if that was used to pay the premium. I don't 11 know.		3 A I do not.	
12 Q Oh. Well, this is -- what we're 13 looking at here on Exhibit 2 is the purchase 14 agreement, and it says that the "Purchaser agrees 15 to accept the assets listed in Schedule A hereto 16 as 100 percent payment of the premium." It is the 17 document you signed on behalf of all of these 18 different entities.		4 Q So you would expect that 2.4 million to 5 be worth \$2.4 million?	
19 Do you see that under "1. Payment of 20 Premium" in this purchase agreement which has been 21 marked as Exhibit 2?		6 A I don't know. I don't know the terms 7 of it. I don't know the -- I don't know the 8 terms, the tenor. I don't know -- I don't know.	
22 A Yes, I see that.		9 Q Okay. What's Cambridge 5 times 10 FLOATING?	
23 Q Okay. And it says that "Purchaser" -- 24 that's Sentinel Reinsurance -- "agrees to accept 25 the assets listed in Schedule A hereto as		11 A I do not know.	
		12 Q No idea what that asset refers to?	
		13 A It's not one of our old CLOs. I don't 14 know what it is.	
		15 Q Okay. And then you see there's "Cash," 16 and there's another 7.8 -- nearly \$7.8 million in 17 cash in addition to the 600,000 previously 18 discussed, right?	
		19 A Yep. Sure.	
		20 Q So that's a total of about \$8.4 million 21 in cash from CDO Opportunity Master Fund as 22 partial payment of the \$25 million premium, right?	
		23 A Yes.	
		24 Q And that 8.4 million is completely 25 liquid, right?	

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1 A Yes.		1 for the premium, correct?	
2 Q So when Highland CDO Opportunity Master		2 A No, I -- Andy, I can't say that, and I	
3 Fund had \$8.4 million in cash and it gave it to		3 won't say that because we don't know what	
4 Sentinel for about a third of the premium, was		4 outstanding bills might have been due. I mean, I	
5 that making that 8.4 million more liquid or less		5 doubt they were 30 million of legal expenses, but	
6 liquid?		6 if we don't know what they are -- let's say they	
7 A I --		7 were 30 million of legal expenses. Then there is	
8 Q Was CDO Opportunity Master Fund more or		8 no cash going over, right?	
9 less liquid after this transfer of all of its		9 Q Okay. You have no idea, as you sit	
10 assets plus \$8.5 million in cash?		10 here today, if it would -- that 30 million is a	
11 MR. TAYLOR: Objection to the form.		11 number you just made up out of thin air; isn't	
12 A I -- I --		12 that true?	
13 Q Yeah, sorry. To be clear, it's		13 A Well, yeah, but you made up that	
14 approximately \$8.4 million in cash. Was CDO		14 there's zero legal expenses.	
15 Opportunity Master Fund more or less liquid after		15 Q No, I haven't said that yet. And I'm	
16 transferring all of these assets listed on		16 not going to get into an argument with you, but	
17 Schedule A, including the roughly \$8.4 million in		17 that 30 million hypothetical legal fees is a	
18 cash?		18 number you made out of totally thin air, correct?	
19 A I don't -- I don't know. I don't know		19 A Correct.	
20 what the payables -- I don't know what the legal		20 Q What, roughly, were the legal fees then	
21 fees were that were accrued. I don't -- you don't		21 owed by CDO Fund in August of 2017?	
22 know enough of what else is happening at the CDO		22 A I have no idea so I don't want to	
23 Master Fund or the rest of HFP. I mean, it could		23 speculate.	
24 have \$10 million of legal expenses. I just don't		24 Q You previously said that the litigation	
25 know.		25 had been dormant for a while in August of 2017;	
	258		260
1 Q As you sit here today, are you aware of		1 isn't that right?	
2 any such legal expenses that CDO Fund transferred		2 A But you -- you helped refresh me that	
3 to Sentinel Re?		3 it wasn't dormant and there was some significant	
4 A No, I don't. But to the extent that we		4 legal expenses due to McKool and other people,	
5 don't, we don't know whether the cash is spoken		5 right, so I -- I don't know if it was -- I thought	
6 for or not.		6 it had been dormant for a number of years. I was	
7 Q Okay. By the way, the Highland CDO		7 wrong. Like I said, I didn't refresh myself on	
8 Opportunity Fund has another 2.3 million in cash.		8 this case before the depo so ...	
9 Do you see that?		9 Q You're not aware of any legal fees that	
10 A Yes.		10 were owed as of the time of this insurance policy,	
11 Q So now the total cash that's being		11 as you sit here today; is that true?	
12 transferred to Sentinel Re is over 10 and a half		12 A I have no awareness, correct, of	
13 million dollars, right?		13 whether there were zero or 30 million or	
14 A Yes.		14 10 million or 5 million.	
15 Q So that's higher than the threshold		15 Q Well, you have no basis -- you know	
16 above which you said it would be material as part		16 they weren't 30 million, right?	
17 of this transaction, correct?		17 A I think you -- you charged UBS	
18 A I -- obviously, this transaction		18 45 million. I mean, they could have been. Right?	
19 changed a lot. This transaction does not, you		19 I mean, the last time we saw -- the last time we	
20 know, correspond with my recollection.		20 saw Latham's bills to UBS, it was 42 or	
21 Q Right. But you would agree that the		21 44 million, right?	
22 fact that there is at least 10 and a half million		22 Q You know, as you sit here today, that	
23 dollars in cash being transferred as partial		23 you never paid your lawyers anything like	
24 payment of a \$25 million premium reflects the fact		24 \$30 million for the UBS litigation; isn't that	
25 that cash was a very material part of the payment		25 true?	

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1 A I don't know.		1 600,000, plus another \$539,000, for a total of	
2 Q Well, do you think in good faith, under		2 over \$11 million just on the first page of	
3 oath, that you paid your lawyers something like		3 Schedule A, correct?	
4 \$30 million for the UBS litigation?		4 A Yes.	
5 A I'm saying, Andy, I have no idea. I		5 Q And then on the second page we can see	
6 think there's been -- I think we've over the years		6 there is another 539,000 of cash that's being	
7 had three or four different law firms working on		7 transferred from Highland CDO Holdings Company,	
8 UBS. I don't know what they totaled.		8 right?	
9 Q Okay. Let's continue with what was		9 A Yep.	
10 transferred for the insurance policy pursuant to		10 Q And then there is another \$300,000 in	
11 Schedule A.		11 cash from Highland Special Opportunities Holding	
12 We now have an entity called "Highland		12 Company, right?	
13 CDO Holdings Company." Do you see that?		13 A Yes.	
14 A Uh-huh.		14 Q And there is another \$80,000 in cash	
15 Q Is that a yes?		15 from Highland Financial Corp.?	
16 A Yes.		16 A Yep.	
17 Q And did that entity -- that's a		17 Q And a tax fund receivable?	
18 subsidiary of Highland Financial Partners?		18 A Yep.	
19 A I don't know.		19 THE WITNESS: Hey, Andy, I'm going to	
20 Q Was -- okay.		20 have to put a break on this. I'm getting tired.	
21 Well, you see that there's a number of		21 We can revisit tomorrow but --	
22 assets transferred. Fair to say you have no idea		22 MR. CLUBOK: Okay. You want to revisit	
23 about the value of "HFT Real Estate," the first		23 tomorrow, huh?	
24 asset?		24 Let's go off the record.	
25 A Correct.		25 THE VIDEOGRAPHER: Off record. 8:35.	
	262		264
1 Q Or the second asset -- the NexPoint		1 (A recess was taken.)	
2 assets, you have no idea what the value of those		2 THE VIDEOGRAPHER: On record, 8:40.	
3 were at the time of this transfer?		3 MR. CLUBOK: At Mr. Dondero's request,	
4 A Correct.		4 we have agreed to continue the deposition	
5 Q Same with the -- how about the Highland		5 Wednesday morning at 8:30 Central Time, sharp.	
6 Park C 4.93867 asset?		6 Mr. Taylor has an appointment he has got to leave	
7 A Correct.		7 for at about 10:15, but we only have a little less	
8 Q What about the 25 November 51 -- or		8 than an hour and a half left on the record of my	
9 25NOV51 FRN? Do you know what that was worth?		9 time, and however much time Mr. Taylor has used,	
10 A No.		10 so we should be able to get that done.	
11 Q How about a promissory note from CLO		11 But we're agreeing that we're going to	
12 Holdco of \$32 million? Do you know what that is		12 start on the nose at 8:30, meaning people will be	
13 all about?		13 in their seats a few minutes before with all the	
14 A Nope.		14 technical issues resolved so that we can get	
15 Q Do you know if that is a note that CLO		15 started right at 8:30, correct?	
16 Holdco is capable of paying off?		16 MR. TAYLOR: I fully intend on being in	
17 A I don't know. I don't know who CLO		17 my seat then. I can't promise everything, but	
18 Holdco is. Is that the Bermuda entity that we		18 yes.	
19 were talking about earlier? I don't know.		19 MR. CLUBOK: And that's correct,	
20 Q Oh, you know what, my colleague has		20 Mr. Dondero?	
21 noted to me that I missed another cash asset of		21 THE WITNESS: Yes, I'll be there.	
22 539,000 that's right here. So let's just make		22 MR. CLUBOK: And you understand that	
23 sure we've totaled up all the cash that was		23 you will not speak to anybody about the substance	
24 transferred. It looks like it was 2.3 million,		24 of this deposition between now and then,	
25 plus 7.7, is a little over 10 million, plus about		25 correct --	

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1	THE WITNESS: Yep.	267
2	MR. CLUBOK: -- or review any other	
3	documents related the deposition unless we ask you	
4	to through your lawyer?	
5	THE WITNESS: Yep.	
6	MR. CLUBOK: Okay. Let's go off the	
7	record.	
8	THE VIDEOGRAPHER: The time is	
9	8:41 p.m. This suspends today's deposition of	
10	James Dondero. We're off the record.	
11	THE COURT REPORTER: Counsel, are you	
12	ordering a copy of the transcript?	
13	MS. GEORGE: Yes, we will take a rough	
14	and a five-day expedite for the final.	
15	MR. FEINSTEIN: Yes, we would like a	
16	copy, regular delivery, with a rough to	
17	rfeinstein@pszjlaw.com.	
18	MR. TAYLOR: We would like a copy,	
19	regular delivery, and a rough to	
20	clay.taylor@bondsellis.com.	
21	(Time noted: 8:42 p.m.)	
22		
23		
24		
25		
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1	ACKNOWLEDGMENT OF DEONENT	
2		
3	I, JAMES DONDERO, do hereby acknowledge	
4	that I have read and examined the foregoing	
5	testimony, and the same is a true, correct and	
6	complete transcription of the testimony given by	
7	me and any corrections appear on the attached	
8	Errata sheet signed by me.	
9		
10	_____	
11	(Date) _____	(Signature) _____
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